Eastward shift
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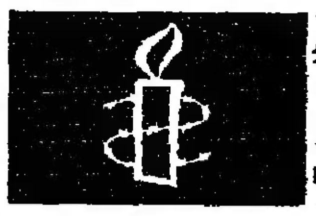

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JULY 13 1994 — D8523A

Employees win controlling stake in United Airlines

Shareholders of United Airlines, the biggest airline in the US, voted by a big majority to hand control of their company to its 75,700 employees in return for wage cuts and other labour concessions worth $4.9bn. Chairman and chief executive Stephen Wolf, who is to step down in favour of former Chrysler vice chairman Gerald Greenwald, called the decision "an event of monumental proportions". Under the plan, United's employees will get a controlling stake of 55 per cent of the airline's equity – rising later to 63 per cent. Page 19

N Korea power transfer: The transfer of power in North Korea to Kim Jong-il appeared to be proceeding smoothly, South Korea's intelligence chiefs said, after he attended a lying-in-state ceremony for his father Kim Il-sung, who died on Friday. Page 18

Struggle intensifies for trade HQ: Geneva is facing a strong challenge from Bonn as Friday's scheduled deadline nears for a decision on the headquarters site for the new World Trade Organisation. Page 3

UK police uncover explosives: Police found more than two tonnes of explosives – believed to have been destined for a terrorist bombing campaign – hidden on a lorry which arrived at a northern English port from Northern Ireland.

ITT, US conglomerate which owns the Sheraton hotel chain, confirmed its effective control of Italian luxury hotels group Ciga, when two ITT representatives were co-opted on to the seven-person Ciga board. Page 19

Nigeria oil strike widens: Senior staff in Nigeria's oil industry joined a week-long strike by junior workers as international oil companies struggled to maintain crude oil production, which averages about 2m barrels a day. Page 6

Bomb attack in Rhodes: Two bomb blasts injured six tourists, one seriously, on the Greek holiday island of Rhodes. No one claimed responsibility for the attacks on the island's main city.

UN condemns Haiti expulsion: The UN Security Council condemned the expulsion by the Haitian regime of an international human rights mission, calling it a "serious escalation" of the military-led government's defiance. Page 4

UBS settles with analyst: Union Bank of Switzerland has reached an out of court settlement with leading investment analyst Terry Smith, bringing to an end a high-profile legal dispute which had become the focus of a City of London debate about the freedom of analysts to write impartial company reports. Page 20

Four die in Algerian attack: Four people were reported killed in a shootout between Algerian police and suspected Moslem fundamentalists outside the Italian embassy in Algiers.

China's defence bill: China spends twice as much on defence as it admits and may lag behind only the US and Russia in total defence outlays, according to London-based defence think-tank, the International Institute for Strategic Studies. Page 6

UK naval base saved: UK defence secretary Malcolm Rifkind will tomorrow announce that the Rosyth naval base in Fife has been saved and that the majority of its civilian workers will retain their jobs. Page 7

Japan's banks burdened: Japanese banks will remain burdened for many years by their high proportion of bad loans, said US credit rating agency Moody's. Page 19

Ministerial cutbacks: On the eve of a UK government white paper foreshadowing more cuts in civil servant numbers, civil service mandarins are complaining that ministers have exempted themselves from a drive to reduce the size of the state. Page 8

Pakistan expels Indian diplomat: Pakistan ordered an Indian diplomat to leave the country within a week, a day after Indian authorities in New Delhi detained an official of the Pakistan High Commission for alleged spying.

Russia ends S Africa sanctions: Russia lifted all remaining sanctions against South Africa in the wake of the UN Security Council's decision in May to scrap a 17-year-old arms embargo against Pretoria.

Pamplona bull run injures 14: Five people were gored, two seriously, and nine others suffered fractures and head injuries during a bull-run at the San Fermin festival at the Spanish town of Pamplona.

■ STOCK MARKET INDICES

FT-SE 100:	2963.9	(-19.9)
Yield	4.18	
FT-SE Eurotrack 100	1317.85	(-8.93)
FT-SE-A All-Share	1483.88	(-0.5%)
Nikkei	20,400.48	(-72.61)
New York: lunchtime		
Dow Jones Ind Ave	3678.38	(-24.81)
S&P Composite	445.88	(-2.25)

■ US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.563%
Long Bond	83⅞
Yield	7.597%

■ LONDON MONEY

3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Sep 102 5/32	(Sep 102)

■ NORTH SEA OIL (Argus)

Brent 15-day (August)	$18.33	(17.885)

■ Gold

New York Comex (Aug)	$385.3	(388.1)
London	$386.2	(386)

■ STERLING

New York lunchtime:		
$	1.5725	
London:		
$	1.5725	(1.5838)
DM	2.3958	(2.4081)
FFr	8.2284	(8.2758)
SFr	2.0231	(2.0298)
Y	152.226	(152.255)
£ Index	78.8	(79)

■ DOLLAR

New York lunchtime:		
DM	1.52305	
FFr	5.2165	
SFr	1.28435	
Y	97.685	
London:		
DM	1.5235	(1.54)
FFr	5.2327	(5.2923)
SFr	1.2865	(1.298)
Y	96.805	(97.365)
$ Index	61.8	(62.3)
Tokyo close Y 97.67		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv26.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.50	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pes50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000		
						UAE	Dh12.00		

Former head 'carries chief responsibility'

Inquiry spreads blame for Crédit Lyonnais losses

By David Buchan and Alice Rawsthorn in Paris

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A French parliamentary inquiry yesterday criticised ministers and leading civil servants as well as bank regulators and directors for allowing the state-owned Crédit Lyonnais bank to run up record losses and bad debts.

The National Assembly's nine-week investigation, led by its president, Mr Philippe Séguin, said that Mr Jean-Yves Haberer, who headed Crédit Lyonnais from 1988 until his removal last November, "carries the chief responsibility" for the bank's "bulimic appetite for acquisitions, bad risk judgment, pursuance of relations with dubious clients, inadequate controls, and misjudgment of the business cycle".

But in calling for stricter management controls by the state and the Banking Commission, the report spreads wide the blame for giving free rein to Mr Haberer's banking ambitions and excesses.

It also describes as "astonishing" the government's decision not to dismiss Mr Haberer outright last summer, when – by his own admission – Mr Edmond Alphandéry, the economy minister, had lost confidence in the Crédit Lyonnais chief. Mr Haberer was instead shifted to another state banking post from which he was only removed in March on news of Crédit Lyonnais' 1993 record loss of FFr6.9bn ($1.3bn). Mr Alphandéry told the inquiry the government had wanted to get rid of Mr Haberer gently so as not to destabilise Crédit Lyonnais in particular and the Paris market in general.

The report's publication has renewed calls for the Balladur government to carry out its eventual plan to privatise Crédit Lyonnais.

The relative speed with which the National Assembly has conducted its inquiry and the fact that it has not turned up any new skeletons may relieve the concern of Crédit Lyonnais' new president, Mr Jean Peyrelevade, that his restructuring plans might be jeopardised.

The Socialists who appointed Mr Haberer also seemed relieved yesterday at not coming in for more criticism from the conservative majority on the parliamentary inquiry. However, Mr Michel Sapin, a former Socialist finance minister, is criticised for reappointing Mr Haberer to Crédit Lyonnais in 1992. Mr Sapin now serves on the monetary policy committee of the Bank of France, whose governor Mr Jean-Claude Trichet is criticised for lax surveillance of the troubled bank when he was director of the French Treasury.

The publication of the report coincided with the announcement of Crédit Lyonnais' proposed sale of its controlling stake in Fnac, the largest music and books retailer in France, to Mr François Pinault, the Breton entrepreneur who is a creditor of the bank and who recently joined its board as an independent director.

Mr Pinault, whose family holdings control the powerful Pinault-Printemps retail group, has agreed to pay FFr1.9bn for the 64.6 per cent stake in Fnac held by Altus, a subsidiary of Crédit Lyonnais. The disposal is part of an aggressive programme of asset sales initiated by Mr Peyrelevade in an attempt to raise new capital.

Associated Press

US president Bill Clinton greets Germans at the Brandenburg Gate in Berlin after telling them in his speech: "America stands on your side, now and for ever"

Report, Page 18

Dollar falls as hopes of rate increase fade

Inflation figures reduce pressure on Fed to intervene

By Philip Gawith in London

Pessimism about the prospects of the Federal Reserve lifting US interest rates yesterday drove the dollar to fresh lows in Europe.

A benign set of US inflation data reduced pressure on the Fed to raise interest rates, while US and European leaders continued to stress that the level of the dollar was best left to the market to determine.

The dollar steadied during US trading after the White House released figures revising down the budget deficit for fiscal 1994.

Earlier, Mr Theo Waigel, the German finance minister, had told reporters that the Group of Seven leading industrial countries was right not to overreact to the dollar's decline.

"The economic fundamentals are in order in the US. The agreement by the finance ministers was the correct way. The US has inflation under control and good growth. These are convincing signs for a stable dollar," said Mr Waigel after a meeting with President Bill Clinton.

The dollar closed in London at DM1.5235 from DM1.54. Against the yen it finished at Y96.80 from Y97.36 on Monday.

Dollar weakness spilled over into sterling, which closed at its lowest level since soon after the UK currency left the European exchange rate mechanism in September 1992. The UK currency closed in London at DM2.3958 from DM2.4081 on Monday. These losses were partially offset by gains against the dollar.

One side-effect of the dollar's fall was the continued recovery yesterday of European government bonds, as more investors shifted out of US bonds into Europe to escape currency weakness. One of the strongest performers was Italy, where 10-year bonds rose by about 1½ points. UK gilts also rose sharply before easing in late trading.

The dollar weakened after comments from Mr Ron Brown, the US trade secretary. Speaking after congressional testimony in Washington, he said the US would continue to use "aggressive, pro-active" methods to open Japan to foreign goods.

He saw no inflation pressures which would warrant higher interest rates: "If inflation is not a problem then I think you would have to make a reasonable argument that changes in interest rates are not appropriate."

Mr Brown stressed, though, that interest rate policy was the

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German troops cleared to join UN operations

By Quentin Peel in Bonn

The green light for German troops to participate in future United Nations' operations outside the Nato area was yesterday given by the constitutional court in Karlsruhe, the highest legal authority in the country.

The historic judgment removes the constitutional ambiguity which prevented Germany from participating directly in the Gulf war and in virtually all UN military operations.

The decision means German forces will be able to take part in both peacekeeping and peacemaking exercises of the UN, provided the German parliament approves each operation.

It says the Bundeswehr can take part in international missions as part of Germany's international alliances, including Nato and the Western European Union, in carrying out decisions of the UN Security Council, or directly under the authority of the UN itself.

The judgment was instantly welcomed by the German government, its Nato allies, including US president Bill Clinton, and Mr Boutros Boutros Ghali, UN secretary-general, as a move which would enable Germany to play its full part in international peace operations.

It was also welcomed by the German opposition Social Democratic party (SPD), which brought the legal challenge to the constitutional court, as an essential measure to clarify a long-standing grey area in the German constitution.

In two important ways, however, the constitutional court has given future German governments greater room for manoeuvre than the SPD had hoped. It makes no distinction between peacekeeping and peacemaking operations, and it requires a simple majority vote in the Bundestag rather than the two-thirds majority necessary to override the constitution.

The decision was announced as part of a 142-page judgment by the court on the participation of

Continued on Page 18
Germans step - warily - into the front line, Page 2

EU takes softer line on US media

By Raymond Snoddy in London and Emma Tucker in Brussels

Quotas designed to protect the European film and television industry could become a thing of the past because of rapid technological change, a senior European Commission official signalled yesterday.

The remarks by Mr Reinhard Büscher, a member of the cabinet of industry commissioner Martin Bangemann, mark a softening of the EU's approach to regulations limiting imports of US films and television programmes.

Mr Büscher, told a Financial Times multimedia conference in London that the development of video-on-demand and pay-per-view services would make the battle over import quotas less and less important. There have been furious rows between the US film and television industries over quotas designed to protect the European production industries.

"Entertainment is becoming more and more an economic good that we should pay for individually without any harm to culture or languages," said Mr Büscher, who said his approach on quotas was shared by Mr Bangemann. At the moment,

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Marlboro sales rise boosts Philip Morris

By Richard Tomkins in New York

Philip Morris, the US food and tobacco group that makes Marlboro, the world's best-selling cigarette, shrugged off strong anti-smoking sentiment in the US and reported a 17.6 per cent advance in after-tax profits in its second quarter to $1.23bn.

It was the first profits increase reported by Philip Morris since "Marlboro Friday" in April last year, when the company cut the price of Marlboro and other premium brands in the US to win back market share from cheaper products.

Worldwide, Philip Morris sold 18 per cent more cigarettes in the three months ended June than it did a year earlier. Marlboro volumes rose by 18 per cent to 99bn cigarettes and volumes of all Philip Morris brands rose by 17.9 per cent to 187bn cigarettes.

Philip Morris cited strong volume gains in Germany, Italy, France, Spain, central and eastern Europe, the Middle East, Japan, Korea, Argentina and Brazil, but growth was particularly strong in the domestic market, where the price cuts lifted sales.

US volumes increased by 21.9 per cent to 57.9bn cigarettes, Philip Morris said, raising the company's market share by 5 percentage points to 46.6 per cent. Marlboro's share rose by 6.5 percentage points to a record 28.5 per cent. Although Philip Morris was selling its cigarettes at lower prices in the US, the increased volumes lifted operating income in the domestic tobacco division by 25.1 per cent to $858m – seemingly vindicating the strategy of Mr Michael Miles, the former chairman and chief executive who instigated Marlboro Friday. He was ousted three weeks ago.

Mr Miles fell out with the board over his support for a plan to lift Philip Morris's share price by hiving off the controversial cigarette-making operations into a separate entity. His successors – Mr William Murray, the chairman, and Mr Geoffrey Bible, the chief executive – have ruled out a split for the foreseeable future.

Paradoxically, the food side of the business performed relatively poorly in the second quarter: worldwide operating income rose by only 2.4 per cent to $949m, while operating income on the tobacco side rose by 22.4 per cent to $1.5bn. Philip Morris blamed investment spending in emerging markets and adverse exchange rates.

Group turnover rose from $15.8bn to $16.4bn. Earnings per share rose by 19.3 per cent to $1.42, reflecting the effects of the company's stock repurchases. Net income for the first six months, excluding the effect of accounting changes, rose 6.2 per cent to $2.4bn.

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No dramatic action expected despite constitutional court ruling on military

Germans step warily into the front line

By Quentin Peel in Bonn and George Graham in Berlin

When President Bill Clinton was asked in Berlin yesterday about the prospect of German soldiers taking part in military exercises outside the Nato area, he could scarcely contain his glee.

"I am completely comfortable with this decision," he declared, commenting on the judgment of the German constitutional court in Karlsruhe. He could certainly imagine German troops taking part in the Gulf War.

Why? "Because of the leadership of Germany, because of the conduct of Germany, because of the role Germany has played in the creation of Europe," he said. Germany did not merely have the largest population in Europe, it had been "the leader in pushing for the integration of Europe", he added.

His sheer enthusiasm left his host, Chancellor Helmut Kohl, visibly discomfited. It even caused him to produce a rare phrase in English.

"We will decide on a case by case basis," he hastened to say. "You must not think this will create a mood of 'Germans to the front'."

The irony of the decision is that it has been greeted with far more caution within Germany – at both ends of the political spectrum – than among her allies.

In the first place, there remains great political caution about the circumstances in which German troops can and will be used in future to support United Nations missions around the world. Secondly, there are considerable doubts about just how ready the Bundeswehr – the German armed forces – is to mount such operations.

Mr Wolfgang Schäuble, the parliamentary leader of Mr Kohl's Christian Democrats, and a leading campaigner for "out-of-area" operations to be approved, was delighted yesterday at the political victory for the German government. He was also adamant that it would not have dramatic consequences.

"We have no intention of dreaming up as many missions as possible for the Bundeswehr to take part in," he said. "All our friends and partners in the world can be sure that Germany will deal with this question very carefully – for the next century, at least," he added with a wry smile.

Asked if Germany might have participated in the Gulf war, if the constitutional court ruling had been given then, he said it might have been legally possible, but not necessarily politically feasible.

"That was only one month after unification," he said. "It would have been too soon." He argues that the importance of the move is that Germany can now behave like a normal ally within the Nato alliance, and increasingly, within the context of the European Union's common foreign and security policy. "We are ready to take up our responsibilities as well as our rights," he said.

Constitutional court judges deliver their decision Reuter

Although the court decision is on the face of it a setback for the opposition Social Democratic party (SPD), its leader, Mr Rudolf Scharping, was almost equally enthusiastic – because it has clarified the legal "grey area" in the constitution.

"The legal framework is now clear within which the politicians have to act," he said. That would reassure German soldiers, and give clear guidelines for the debate on Germany's future foreign and security policy.

It also denied the government the "free hand" it had sought in sending troops outside the Nato area, by insisting on separate parliamentary approval for every operation, he said.

In the near future, the Bundeswehr is scarcely well-prepared for comprehensive out-of-area operations, although it can certainly provide very useful logistical support, according to Dr Holger May, head of the Institute for Strategic Analysis in Bonn.

"On the one hand, the Bundeswehr has the third largest air-lift capacity in the world," he said.

"We are one of only three Nato allies [the others are the US and Netherlands] who can provide missile defence with Patriot missiles."

On the other hand, there are clear disadvantages from having always planned German operations on the assumption of operating close to home. The German air force, for example, urgently needs to increase its logistical range, because it has never expected to operate away from domestic servicing and repair facilities.

In the early 1970s, the Bundeswehr scrapped its military field bakery, and its capacity to provide drinking water for troops in the field: both would have to be recreated. And the military medical corps would have to be considerably expanded if one international exercise were not to deprive the rest of the Bundeswehr of virtually all its doctors.

"It is certainly not true, as some people at the defence ministry are saying, that we cannot organise a mission out of area before the year 2000," Dr May said. "That is nonsense. But it makes the case clearer than ever that we could never go it alone.

"We are going to have to make up our minds where our priorities lie. We will have to make it clear to ourselves, and to our public opinion, that it is in Germany's interest to get involved in something."

Turkish privatisation derailed again

By John Murray Brown in Istanbul

Turkey's privatisation effort has again been derailed by the courts.

Mr Tezcan Yaramanci, the privatisation chief, publicly insists the programme will continue regardless but the foreign bankers and investors looking to buy Turkish assets believe the government of Prime Minister Tansu Çiller has been thwarted by last week's constitutional court ruling invalidating its use of decree powers to push through the sell-off programme.

The court has still not published its justification, but it is expected to centre on the argument that the powers given to the executive infringe on the constitutional authority of the elected parliament.

Investors already have a number of misgivings – the lack of a regulatory framework, and the absence of a pricing regime that would allow a buyer freedom to manage and restructure the labour force, not to mention the unfavourable external environment where the devaluation of the lira has made it all but impossible to put a value on Turkish assets. The prospect that any sale could also be challenged by the country's highest court fills investors with horror.

Opponents of privatisation say it is not simply a procedural issue. Even where privatisation legislation has been approved by parliament as in the case of the recently passed telecommunications privatisation bill, Mr Mumtaz Soysal, the deputy masterminding the court actions to oppose state sell-offs, warns he will challenge the law.

Mr Soysal argues that providing telephone services is a public service. Privatising the telecoms company would in effect be a concession to a non-government body to provide those services. And under the constitution, the award of a concession has to be approved by the administrative court.

Few bankers are probably aware of the Aktas case, where a former employee of the state electricity utility Tek took a suit for wrongful dismissal against Aktas, a private power distribution company, contracted by Tek to provide electricity to parts of Istanbul.

The case was referred to the administrative court in Ankara, which ruled that Aktas's contract with Tek was invalid because the court's approval for the award of a concession had not been provided.

The legal conundrum deepens in that under Turkey's foreign investment law foreigners cannot own concessions. The terms are not defined. However, for many Turks, the mere word awakens uncomfortable memories of the nineteenth century when concessions were awarded to foreign interests, as part of the capitulations when the Sultan provided foreigners with the rights to the empire's tobacco crop, for example, in lieu of its massive debts to European treasuries.

Given such a powerful historical resonance, most observers believe that if challenged on this issue, the courts will take a nationalist line. In the Aktas case the administrative court took a very broad definition of what is a concession, as any activity undertaken by government, not just public services.

Tansu Çiller: decree on sell-off thwarted by court ruling

Crédit Lyonnais probe pours scorn on state's effectiveness as 'close to nil'

David Buchan on the message of the parliamentary inquiry into troubled French bank

France's parliamentary inquiry, published yesterday, into how the country's largest bank, the state-owned Crédit Lyonnais, came to pile up record losses and bad debts is most striking for its indictment of the ineffectiveness, even pointlessness, of state ownership.

The report says Mr Jean-Yves Haberer, president of Crédit Lyonnais from 1988 until his dismissal last November "carries the chief responsibility" for the bank's disastrous lending spree culminating in a FFr6.9bn (£810m) loss last year. But it also criticises the state and the regulatory authorities – including Mr Jean-Claude Trichet who directed the Treasury before becoming governor of the Bank of France last year with a seat on the Banking Commission – for their laxness as well as the bank's outside directors.

The report does not propose any new sanctions or radical reform. In its nine-week inquiry, the parliamentary committee says it came across "*no case of corruption* uncovered or approved by Crédit Lyonnais". However, it added that Mr Jean Peyrelevade, the bank's new president, promised it that he would prosecute any "rare collaborators who might have been indelicate or frankly dishonest" if and when solid evidence came to light. As to reform, the report just urges the state and the Banking Commission to exercise more control in the future.

From a political point of view, it is likely to undermine any remaining case for state ownership, except among the Socialist and Communist parties whose minority representatives on the inquiry dissented from the report.

Crédit Lyonnais is already on the government's list of companies for privatisation, which the assembly's finance committee chairman said yesterday was "the best road" for the bank. Even, Mr Philippe Séguin, the assembly's president who chaired the inquiry, says in his introduction to the report that the state's effectiveness as Crédit Lyonnais' shareholder was "close to nil"; as a staunch Gaullist, Mr Séguin cannot be said to be predisposed against government interference in the economy.

The report itself is tougher than the Séguin introduction. It was largely written by Mr François d'Aubert, a UDF deputy and relative free-marketeer who was sued for libel by Crédit Lyonnais for a book he wrote about the bank called *Argent Sale* (Dirty Money) and who said yesterday the inquiry turned up nothing to lead him to retract his allegations.

The report acknowledges that Crédit Lyonnais had already acquired some doubtful clients, such as the late Mr Robert Maxwell and Mr Bernard Tapie, before 1988. But it says the real surge in its expansion began with Mr Haberer's desire to turn the bank into a German-style "industrial" bank, his gamble on rising property prices and his bid to use European deregulation to give Crédit Lyonnais a continental network, often paying too much for inadequately audited acquisitions. By last year Crédit Lyonnais had taken equity in 1,500 companies at home and controlling or minority stakes in 107 banks and companies abroad.

The report singles out two categories of investment. Like many other banks, Crédit Lyonnais lent far too much in property, amassing some FFr50bn of doubtful loans, of which FFr42bn have been hived off into a separate state-backed company to improve the bank's solvency ratio. The report claims the finance ministry and the Bank of France, via the Banking Commission, not only allowed but actively encouraged the bank to limit its provisions against bad property debts.

The second category – the degree to which the bank was ordered to help prop up loss-making state industries – is disputed. Mr Séguin, who parliamentary officials say consistently tried to "smooth the report's rough edges", says, for instance, that there is no evidence to show that Crédit Lyonnais' decision to take a stake in the Usinor-Sacilor steel company or in Aérospatiale "owed more to the wish of the public authorities than a deliberate choice of the bank".

But the report claims "increasing bankruptcies led the state, in order to save jobs, to interfere with the bank's autonomy", just as, it adds, prime minister Edouard Balladur did last autumn in forbidding state companies to lay off workers. Whatever the motive, the result was to enable Crédit Lyonnais to count dud shareholdings as "own funds" on which still more loans could be extended.

Much of the bank's problems lay with four out-of-control financial subsidiaries – Althus, SDBO (Mr Tapie's main bank), IBSA, and CLBN, its Dutch subsidiary which financed the bid by two Italians, Mr Giancarlo Paretti and Mr Florio Fiorini, for the MGM film studio. The report highlights the problem of cross-border banking supervision – an issue, incidentally, largely ignored in the Maastricht negotiations for European monetary union – of a 95 per cent French-owned bank incorporated in the Netherlands. Warnings by the Dutch central bank about possible money laundering by CLBN clients went ignored by Mr Haberer, the report says.

Of Crédit Lyonnais' directors, the report finds most fault with its former six "independent directors" who when they bothered to turn up to board meetings relied on the state's six representatives to do their job for them. It praises the six directors representing the bank's own personnel for asking the most pointed questions of the Haberer management, but says inevitably these often concerned internal housekeeping rather than strategy.

There was a clean sweep of the bank's independent directors last month. The new team includes Mr Bernard Arnault of LVMH, Mr Alain Gomez of the state-owned Thomson group (which has 21 per cent of Crédit Lyonnais), Mr Jean-Luc Lagardère and Mr François Pinault, heads of groups bearing their name. In response to press criticism that these men are all substantial customers of his bank, Mr Peyrelevade said: "Better they are Crédit Lyonnais' clients than some other bank's".

Difficult chapter refuses to close

By Alice Rawsthorn in Paris

Completion of the parliamentary inquiry should in theory allow the new management team at Crédit Lyonnais to close a troubled chapter of the bank's history. Instead, they have found themselves struggling with more skeletons tumbling out of the closets.

When Mr Jean Peyrelevade, who succeeded Mr Jean-Yves Haberer as chairman last autumn, announced last spring that Crédit Lyonnais had made a net loss of FFr6.9bn ($1.24bn) in 1993 and required the state's support for a FFr44.9bn rescue package, it looked as though he had brought all the bank's problems out into the open.

Mr Peyrelevade recently warned that he has since discovered some new problems. His submission to the parliamentary inquiry also confirms that he considers the original FFr44.9bn package inadequate.

The French financial community is now anxiously waiting to hear how bad those problems are and how much more money is required.

"It's a bit of a black hole," says Mr Sasha Serafimovski, European banking analyst at Merrill Lynch. "We now know that the initial clear-out wasn't sufficient. What we don't know is where it's going to end."

He, like other observers, had initially expected Crédit Lyonnais to break even in 1994 before returning to profit next year. The group is now expected to stay in the red this year, with a deficit of between FFr1bn and FFr4bn depending on what level of provisions the government agrees to.

Mr Peyrelevade is now understood to be wrangling with the authorities over the scale of those provisions and over the amount of money the bank needs.

Crédit Lyonnais originally planned to stage a FFr4.9bn capital increase this autumn open to all investors, as opposed to this spring's FFr4.9bn increase which was restricted to the government and its state-controlled shareholders, the Caisse des Dépôts and Thomson electronics group.

However, the deterioration in expectations of the bank's performance, coupled with the weakness of the French equity market, could complicate such an exercise. Meanwhile Crédit Lyonnais may need to raise more than FFr4.9bn, given the gravity of its financial difficulties.

"What we really need to be sure of," says Mr Jean Sassus, banking analyst at Société Générale, "is that there aren't any skeletons left."

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European bourse plan for small companies

By Norma Cohen, Investments Correspondent

A group of leading European stockbrokers, venture capitalists, investment bankers and stock exchange representatives have formed an association to create a pan-European stock exchange for fast growing companies.

The new group, the European Association, has obtained funding from the European Commission for research into the likely number of potential listees on the new exchange. The research is expected to be completed by mid-November.

Existing mechanisms for the trading of small company shares were proving inadequate in providing capital throughout the economic cycle, the group said. It cited the closure of the Unlisted Securities Market in London and the Dutch Parallelmarkt as examples of small company exchanges which have failed to aid investors.

Participants are seeking to model the new exchange along the lines of Nasdaq, the US-based stock market, which has grown to be the world's second largest in turnover by listing shares of small, fast-growing companies.

The European Venture Capital Association is the prime sponsor for the project. Nasdaq has already said it supports the venture and would like to be a minority shareholder in a new exchange.

However, the London Stock Exchange has already ruled out participation in a UK-based specialist exchange for small company shares and has dismissed suggestions that a pan-European exchange would be effective. However, several other European exchanges, particularly the Paris Bourse, have embraced the concept.

Several members believe the main challenge will be to get agreement on whether the new exchange should be a single entity cited in one centre or a "federation" of exchanges based in different centres. Other issues are where to cite the exchange's headquarters and whether to rely on an existing bourse's trading mechanism or whether to import a new system.

EUROPEAN NEWS DIGEST

Belarus pushes Russian links

Mr Alexander Lukashenko, the new president of Belarus, yesterday promised to "do everything possible" to conclude an economic union, including a single currency, with Russia and said that "there is no way out of our economic crisis without Russia." He is to talk to Mr Boris Yeltsin, the Russian president, this morning by phone and will ask for an early meeting. Russia and Belarus have already agreed to work out proposals for an economic union by the end of this month – though the Belarus central bank has strongly objected to the loss of economic sovereignty entailed in giving away the right to print its own currency. Mr Lukashenko said he regretted the collapse of the Soviet Union and said he was "catagorically against" the withdrawal of the 40,000 Russian troops from Belarus. He also favoured a "state regulated economy. I am ready to meet businessmen tomorrow and to say to them – help me out of our crisis. If they help me, I'll help them. If instead they just think of ways to make a bigger profit, then they'll find it hard." He said he would fulfil his pre-election promise to stop privatisation "because the people feel its all just a trick and only for criminals. But if there is a privatisation that can be done in the interests of the people, then we would look at it." *John Lloyd, Minsk.* Feature, Page 17

Single telecoms regulator call

Sir Iain Vallance, chairman of British Telecommunications, will call tonight for a single EU telecommunications regulator in a move set to intensify the debate on the future role of Brussels in a liberalised telecoms industry. Acknowledging "ideological" objections to an increase in EU regulatory powers, Sir Iain claims that it is nonetheless "difficult to see" how any other regime could ensure fair telecoms competition across the EU. The call comes at a critical stage in the EU telecoms liberalisation process. The Corfu heads of government summit last month agreed to an acceleration in the pace of telecommunications liberalisation, in particular by opening infrastructure to competition, instead of services alone as previously agreed. In his speech to the European Policy Forum, Sir Iain says: "a level playing field requires a pan-European regulatory regime, properly enforced by a well-balanced, pan-European regulator." Sir Iain's remarks reflect BT's ambitions to compete with established national operators – still mostly monopolies – on the mainland. *Andrew Adonis, London*

Carton-board verdict due

The European Commission is today expected to give its final verdict on allegations that European carton-board makers are operating an illegal cartel. The three-year-old case could result in some of the biggest fines ever to be levied against a group of companies following a Commission investigation into alleged price-fixing. In April 1991, the Commission raided 15 companies across the EU after the British Printing Industries Federation complained that manufacturers had co-ordinated price rises across Europe. All the main EU producers were involved in the original inquiry including subsidiaries and sales agents for non-EU companies in Sweden, Austria and Canada. Today, after considering responses from the 15 companies, the commission is expected to conclude whether or not a cartel-arrangement between the companies hindered competition. *Emma Tucker, Brussels*

N-waste site row intensifies

Miners working on Germany's first proposed disposal site for long-term nuclear waste yesterday appealed for police protection, after demonstrators blocked access roads with makeshift huts, and dug tunnels to prevent the delivery of the first containers of highly-radioactive waste. Up to 1,000 anti-nuclear protesters have blocked the roads around Gorleben, in lower Saxony, where an interim storage facility has been built near the planned long-term disposal site. Police have been instructed by the state authorities, who oppose the disposal scheme, not to intervene, but the federal government says interim storage can go ahead, pending proper investigation of the mining site. *Quentin Peel, Bonn*

French go-ahead for reactor

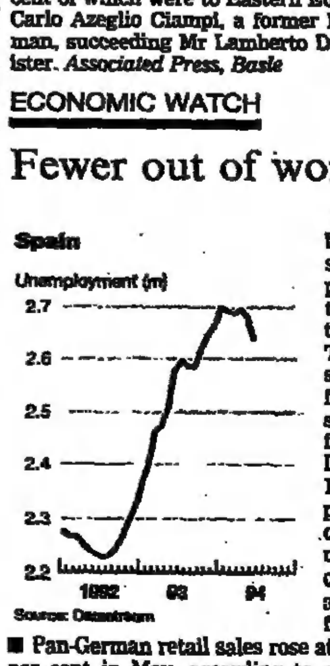
The French government yesterday gave the go-ahead to a consortium of European energy companies to restart the controversial Superphénix fast-breeder nuclear reactor for research purposes. The reactor, which is situated near Lyons, in eastern France, was shut down in July 1990 because of technical faults in its fuel cooling systems. The plant will now be used to study how to get rid of plutonium and other radioactive waste from France's 56 nuclear reactors. Environmental groups have opposed the restart of the reactor, but the French government said in February that the reactor could be re-started at limited power, after the completion of safety work. Superphénix is operated by the Nersa consortium, which includes Eléctricité de France, Enel of Italy and SBK of Germany. *John Ridding, Paris*

EU banks raise lending share

European Union banks have increased their share of international lending against their North American and Japanese counterparts, according to the Basle-based Bank for International Settlements. Outside Asia, EU banks were the world's largest lenders. The BIS said the share of international bank lending by EU banks had risen to 45.2 per cent at the end of 1993 from 34.8 per cent in 1985. The BIS report covers lending by BIS-area banks – comprising the Group of 10 industrial countries plus Austria, Denmark, Finland, Ireland, Luxembourg and Spain – to non-BIS countries over the past eight years. German banks led the EU with $109.6bn (£70bn) of claims on countries outside the area at the end of 1993, 37 per cent of which were to Eastern Europe. The BIS also named Mr Carlo Azeglio Ciampi, a former Italian premier, as vice-chairman, succeeding Mr Lamberto Dini, Italy's new treasury minister. *Associated Press, Basle*

ECONOMIC WATCH

Fewer out of work in Spain



Unemployment in Spain fell by 2.3 per cent over the first six months of this year, compared to a 6.8 per cent rise in the same period of 1993, said the employment ministry. The number out of work shrank 1.2 per cent in June from May, with the service sector showing the biggest fall – 1.5 per cent or 18,039. Industrial unemployment fell 1.9 per cent; construction by 3 per cent. The number of those obtaining jobs in the first six months was up by 17 per cent on the same period last year, and up by 1.5 per cent in June from May. *Reuter, Madrid*

■ Pan-German retail sales rose at an annual, nominal rate of 4 per cent in May, according to provisional figures yesterday from the federal statistics office in Wiesbaden. The real annual rate of increase after inflation was 3 per cent. The figures were better than expected after a sharp 10 per cent (nominal) fall in April, providing evidence of a steady but unspectacular recovery in the economy. But economists warned that the rise reflected the fact that there was one extra shopping day in May this year.

■ Portugal's consumer price index rose 0.2 per cent in June from May, but the year-on-year rate dropped to 5.6 per cent from 5.7 per cent, the national statistics institute said.

Geneva faces Bonn rivalry on WTO site

By Frances Williams in Geneva

As this week's deadline nears for a decision on the headquarters site for the new World Trade Organisation, the two European candidates – Bonn and Geneva – are stretching every sinew to capture the glittering prize.

Trade diplomats in Geneva, headquarters of the General Agreement on Tariffs and Trade, say the German government has put up an unexpectedly tough fight for the WTO, backing a financially attractive offer with intense diplomatic lobbying of Gatt's 120-plus members in Geneva and in national capitals.

While Geneva remains the favourite, Bonn has come from a rank outsider to a serious challenger. This has forced the Swiss to upgrade their own offer. Both cities now stand ready to spend millions of dollars for the privilege of hosting the WTO, its 500 or so staff and associated diplomatic missions, and the revenues they will generate.

The deadline for a decision was initially set for this Friday. While there are still hopes that this deadline can be met, a large number of countries had not officially made up their minds by yesterday and the choice could be postponed until a meeting of the WTO preparatory committee on July 22.

"My bet is that the consensus will be to stay in Geneva," says a senior developing country ambassador. "But Bonn's offer has had to be taken seriously."

In terms of free office space, conference facilities, car parking and diplomatic privileges, the two cities are running neck and neck, trade officials say.

Bonn initially claimed an edge in having a ready-made conference centre for WTO use – but a group of Gatt ambassadors who visited Bonn last week judged the centre inadequate. Like the Swiss, the German government has now offered to build a new centre.

However, the "inertia factor" looks like tipping the balance in Geneva's favour. The costs of moving, in human and organisational terms, would be enormous and would prevent the hoped-for smooth transition from Gatt to the WTO. "We would lose six months' work," predicts one senior trade diplomat.

Many of Gatt's present staff are settled in Geneva and do not wish to move. Geneva is home to a number of UN organisations with which the WTO will have to work closely. In addition, countries that currently cover Gatt alongside the other UN bodies in Geneva would have to open separate WTO missions in Bonn.

UK seeks to recoup South Africa ground

By Mark Suzman in Johannesburg

Britain's trade and industry secretary, Mr Michael Heseltine, and 60 businessmen are in South Africa this week to try to recoup lost ground in what was once a leading trade partnership.

Partly as a result of the UK Conservative party's resistance to sanctions during the apartheid era, British relations with the new government are weaker than with the old. At the same time the UK finds itself fourth in South Africa's trading league behind the US, Germany and Japan.

Mr Heseltine's visit follows ones by US commerce secretary Ron Brown and French president François Mitterrand which have been seen as part of a drive to reap possible commercial rewards for those countries' support for sanctions during the anti-apartheid struggle.

"South Africa is now perceived as a country with which to do business," says Mr John Doble, British consul-general in Johannesburg, who says British companies have made more than 60 investments since 1990.

On the investment side, the UK has for more than a century remained unchallenged as South Africa's single biggest foreign investor with about R50bn (£8.8bn) in stock and assets. South Africans hold about R35bn in Britain.

Two-way trade between the UK and South Africa amounted to R10.25bn in 1993 slightly in the UK's favour. Britain's imports are primarily of raw materials and food and vegetable products. It exports mostly pharmaceuticals, machinery and, more recently, telecommunications equipment.

The UK Export Credits Guarantee Department already has £1.3bn in export credits outstanding in South Africa, the agency's fourth-biggest commitment.

In the first four months of this year British exports to South Africa grew by 20.2 per cent. Imports from South Africa increased only 2.3 per cent, although some sectors, such as fruit and wine, are expected to grow by about 30 per cent for the year.

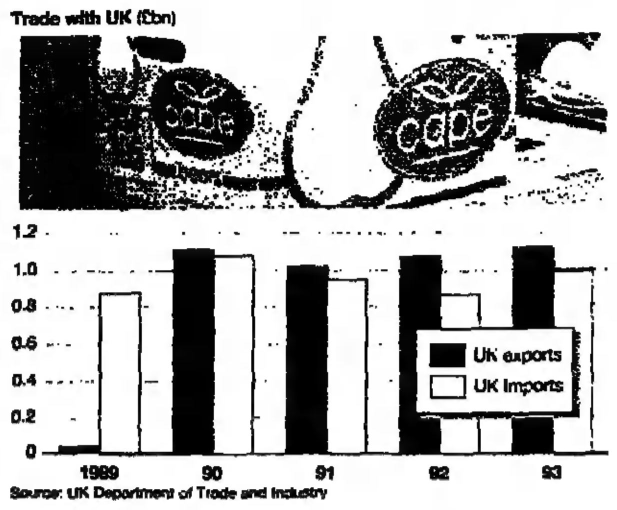
In the defence sector, South Africa is known to be in the market for up to six navy corvettes worth about £1bn, and if Britain could secure the contract it might help save the Swan Hunter shipyard on Tyneside.

At the same time Britain is considering buying South African Rooivalk attack helicopters as part of a total order for 90 helicopters costing about £2bn and there is speculation that a reciprocal arrangement could be worked out.

Mr Heseltine discussed the issue yesterday with Mr Joe Modise, South African defence minister, and an announcement may be made before the end of the week. "We're cautiously optimistic that something will be achieved," said a British defence official.

South Africa

Trade with UK (£bn)



Source: UK Department of Trade and Industry

Bangkok elevated railway given the green light

Victor Mallet in Bangkok

The Thai cabinet yesterday gave the green light to a $1.5bn elevated railway for Bangkok, reversing a cabinet directive in May that all mass transit systems in the centre of the capital should be underground.

"It's a relief," said Mr Edward Chow, chief financial officer of Bangkok Transit System Corp (BTSC). "It means that we can get on with our work."

BTSC, part of the Tanayong property group, signed a 30-year concession agreement two years ago to build and operate the 24km elevated railway, but all Bangkok's mass transit projects have been thrown into doubt by successive governments lack of a coherent transport strategy.

The cabinet apparently decided to adhere to the original BTSC contract following an embarrassing dispute over another contract for a $1bn elevated motorway, which was built by a consortium under the leadership of Kumagai Gumi of Japan.

Thai state agencies were accused of breaching the contract and Kumagai Gumi and international lenders were eventually bought out by Thai investors.

BTSC, which opened negotiations for the elevated railway with the Anglo-French engineering group GEC-Alsthom, says it has now dropped GEC-Alsthom and signed a letter of intent with another consortium comprising Siemens of Germany and Italian-Thai, the Thai construction company. They would carry out the $1bn turnkey contract to build the concrete structure and provide the train system.

Mr Chow said BTSC hoped to sign a detailed turnkey contract before September and start operating the railway by the end of 1997.

Stockbrokers believe Tanayong will find it difficult to secure financing for the deal. BTSC says debt financing is the responsibility of the turnkey contractors and maintains that it will not be a problem. "All the financing has in fact been successfully negotiated," Mr Chow said.

He said Hermes, the German export credit agency, along with KFW and Deutsche Bank would participate in the financing. The International Finance Corporation, the private sector financing arm of the World Bank, was also prepared to arrange up to $350m in loans, he said.

BTSC is wholly-owned by Tanayong, but the property company hopes to sell equity to other partners and list BTSC on the Stock Exchange of Thailand.

Eco-labelling tops agenda for new group

By Frances Williams

Eco-labelling and the use of trade measures for environmental ends are among the negotiating priorities set yesterday by the newly formed committee on trade and environment which will become part of the World Trade Organisation next year.

The committee has decided to tackle first some of the easier and less controversial items on its seven-point work programme, which was endorsed by ministers from 120-plus countries when they met in Marrakesh in April to sign the Uruguay Round trade accords. It is due to report back to the first WTO ministerial meeting in 1996.

Starting in September, the committee will discuss the compatibility with fair trade rules of environmental charges and taxes, such as carbon taxes, and environmental requirements for products including standards, packaging, labelling and recycling.

The proliferation of eco-labelling schemes could become an important barrier to trade, particularly for developing countries.

The committee also plans this year to consider whether fair trade rules need amending to accommodate trade provisions of international environmental agreements such as those banning trade in endangered species or in chemicals that harm the ozone layer. And it will look at the effect of environmental measures on market access, especially for goods exported by developing countries.

More controversial areas, such as the "internalisation" of environmental costs in prices, will be left to later, a move that will disappoint environmental groups. The subjects for early discussion are designed to maximise consensus between rich and poor nations, and have mostly been well worked over in a now-disbanded Gatt environment committee.

UK unlikely to drop toy challenge

By Guy de Jonquières, Business Editor

The British government is set to reject a request by Sir Leon Brittan, the European trade commissioner, that it drop a legal challenge to an EU quota on toy imports from China.

Sir Leon said in Brussels yesterday that he hoped the UK would withdraw its action following a Commission proposal to raise the value of the quota by Ecu150m (£115.5m) to Ecu780m this year.

However, the Department of Trade and Industry said in London that the case, before the European Court of Justice, was a "distinct and separate issue of principle."

The department said it was questioning the ability of the EU council of ministers, which approved the quota in February, to take "unjustified and disproportionate trade measures" which were opposed by the majority of the EU toy industry. The quota, imposed as part of a package deal designed to win EU countries' agreement to scrap about 6,500 national trade restrictions, is intended chiefly to protect toy manufacturers in Spain.

However, other European toy companies said that, at its original level of Ecu630m, it would halve expected imports from China and was causing problems for importers who had paid for goods which had not yet been delivered. The quota has also been criticised by China.

Lucas invests in Chinese car industry

By John Griffiths

Lucas Industries, the UK automotive components and aerospace group, is making its first investment in China's rapidly expanding motor industry via a $33m (£21.7m) joint venture to manufacture disc brakes.

If the project proceeds as envisaged, output of 600,000 discs a year will be reached in 1997.

The three-way venture is with Langfang Braking Air Compressor Factory of Hebei province and Mando Machinery, part of South Korea's Halla group and a long-standing partner of Lucas in ventures outside China. Lucas will have a 20 per cent stake, with its partners each holding 40 per cent.

The two-phase project involves an initial investment of $14m at Langfang's existing site, on the outskirts of Beijing, to produce up to 280,000 brake discs a year starting at the end of 1995. In phase two, a new facility will be built in the Langfang economic and technology zone.

The venture follows the signing of Lucas' first technology transfer agreement with China, under which it is providing technology for braking systems to a joint venture company, Hwa Heng, set up between Lucas's licensee in Taiwan and the Wuhu Auto Parts factory in Anhui province. Lucas has no stake in that venture.

UN condemns expulsion of Haiti mission

By Michael Littlejohns in New York and Jeremy Kahn in Washington

The UN Security Council last night condemned the Haitian regime's expulsion of an international human rights mission, calling it a "serious escalation" of the military-led government's defiance.

In a statement approved at a brief open meeting after private talks, the council also condemned the authorities' move to avoid "appropriate international scrutiny" while indiscriminate violence against civilians was increasing.

The Haitian government's provocative behaviour threatened regional peace and security. The council would hold the regime individually and collectively responsible for the safety of "the international presence" in Haiti.

The action against the mission, sent by the UN and the Organisation of American States, would further reinforce the council's determination to bring about a rapid and definitive solution to the crisis.

However, there was no immediate indication that the council was considering further concrete measures to enforce its will after it had imposed extensive economic sanctions.

The council session took place after Mr Boutros Boutros-Ghali, UN secretary-general, and Mr Christopher Thomas, acting head of the OAS, had bowed to Haitian demands that some 100 international staff of the human rights mission be evacuated. A UN spokesman said they would leave "in the next day or so".

In Haiti, the government yesterday threatened to punish any of its citizens supporting military intervention aimed at toppling the military regime of Lt-Gen Raoul Cedras.

Figueres bends to fiscal reality

Costa Rica's new president is forced to be more pragmatic, writes Edward Orlebar

The fierce campaigning against economic liberalisation that won the Costa Rican presidency for Mr José María Figueres has given way to a more pragmatic approach since he took office in May.

Mr Figueres, a 39-year-old engineer with a masters degree in government from Harvard, promised to renegotiate a structural adjustment programme with the World Bank and pay greater attention to social needs.

But the difficult fiscal position inherited by his government means Latin America's youngest president will have to seek external financing to fulfil social programmes.

That will oblige his government to remain in favour with the Washington-based international financial institutions.

"His challenge is how to harmonise the relative satisfaction that there is with the development of macro-economic policies with the level of dissatisfaction that there is on social issues, fundamentally in health and education," says Mr Carlos Sojo, a political analyst.

The World Bank and the Inter-American Development Bank have been receptive to proposed changes to programmes suggested by a government delegation last month, says a finance ministry adviser.

The government rejected a demand by the World Bank to reduce the public sector by 25,000 people, and has said it will implement a plan for "state rationalisation", instead. The new government has said it would not remove the state insurance company's monopoly in the short term and would keep an open mind on the state oil company Recope's control of refining and distribution of petrol.

However, Mr Leonardo Garnier, the planning minister, says progress will continue on opening up of the banking sector to allow private banks to offer cheque accounts, currently the privilege of state banks. The government also remains committed to the sale of state cement and fertiliser companies.

The new economic team has been keen to stress that there will be no big changes in a broad policy of economic liberalisation despite the campaign rhetoric.

"We agree with the international banks' concern to liberalise the market and make the state more efficient," says, Mr Garnier.

"But we want to find the best instruments to do so," he added.

Costa Rica's heterodox liberalisation policies were initiated by two governments from Mr Figueres's National Liberation party (PLN) from 1982-86, and senior members of those administrations are now back in cabinet posts.

Since taking office on May 8, Mr Figueres has been sharply criticised by former government ministers for reiterating campaign attacks on his predecessors whom he accuses of leaving the state coffers empty.

Mr Rafael Angel Calderón, the former president, has pointed to single-digit inflation, healthy foreign exchange reserves, 6 per cent growth, and low unemployment as the achievements of his administration. His government also signed a free-trade agreement with Mexico, and oversaw sharp growth in exports and tourism, reducing traditional dependency on coffee and bananas.

But economists say that in the run-up to the election the previous government, in keeping with traditional election year priorities, artificially held down prices and let the fiscal deficit run, leaving Mr Figueres with a legacy of debt and repressed inflation.

"If I were the finance minister I would sit down and weep," says Mr Dennis Melendez, an economic consultant.

The government faces a close examination from the International Monetary Fund which is expected to send a mission later this month. It is keen to re-establish a standby agreement with the fund as an indication to lenders that it is following sound macro-economic policies.

Mr Carlos Manuel Castillo, who combines the role of central bank president with economic supremo, went on national television recently to say the government hoped to reduce the fiscal deficit to 2.8 per cent of gross domestic product by the end of 1995. This is unlikely to impress the fund.

Mr Figueres took over the presidency 46 years after his father José "Pepe" Figueres overthrew Mr Calderón's father and sparked a brief but bloody civil war. A victorious Mr Figueres abolished the armed forces and implemented far-reaching social reforms.

His son's efforts to emphasise social issues will be hampered by the split in his party over his nomination, which followed accusations that his alleged involvement in the murder of a small-time drug dealer in 1973 made him an unfit candidate.

His government's slim margin of victory in the election in February also mean he does not enjoy a strong mandate, and acrimony with the opposition party does not augur well for future negotiations with congress where he will require opposition support.

Colombia 'misusing pesticides'

By Alison Maitland

Workers in the rapidly expanding Colombian flower industry are routinely exposed to pesticides banned in the west, says a report published yesterday by Christian Aid, the UK aid agency.

A fifth of the pesticides are banned or not registered in the US or Europe because of their toxicity, according to an analysis for Christian Aid by The Pesticides Trust, an independent UK research organisation, said Ms Sarah Stewart, author of the report.

Legal pesticides are misused, so that many of the 70,000 flower workers suffer nausea, fainting and skin irritations.

Colombia produces over 3.5bn flowers a year, worth more than $350m (£230.2m).

Urging importers to restrict purchases to companies obeying guidelines, Ms Stewart said: "Colombian law is very good regarding the import and application of pesticides, and the rights of the workforce. The problem is enforcement."

WORLD CUP '94

A heavily-bandaged Luis Enrique at Madrid airport after the Spanish squad arrived home from the US. Luis Enrique suffered a broken nose in a tussle with Italy's Mauro Tassotti in their quarter-final at the weekend AP

Video evidence leads to ban for Tassotti

For the first time at a World Cup, Fifa, soccer's governing body, has used video replays to punish a player for an action the referee did not see during the game.

Fifa's disciplinary committee has imposed an eight-game suspension – twice the previous longest – on Italy's Mauro Tassotti for viciously elbowing Spaniard Luis Enrique during last Saturday's 2-1 win by Italy in the quarter-finals. Enrique's nose was broken.

Tassotti misses today's semi-final against Bulgaria. If Italy reach Sunday's final he will sit that out as well, plus six preliminary games in the European championship.

Tassotti had apologised for the blow. He was not penalised on the field and said later the elbowing was accidental. After studying videotapes, Fifa rejected his claim.

The disciplinary committee judged Tassotti's action as "intentional serious violent conduct." The suspension and $16,000 fine can be appealed.

Fifa said referee Sandor Puhl of Hungary was blameless in not penalising Tassotti on the spot because he did not have a clear view of the elbowing, which occurred during a scrap for the ball late in the game.

The committee also denied an appeal against a four-game suspension of Brazilian defender Leonardo for an elbowing that fractured the skull of American Tab Ramos.

And it:

Fined the Dutch team $8,000 and cautioned coach Dick Advocaat for bad behaviour on the bench during Saturday's 3-2 quarter-final loss to Brazil;

Fined Brazilian goalie Taffarel $8,000 for violating advertising restrictions by wearing oversized logos on his gloves;

Suspended Sweden's Stefan Schwarz for today's semi-final against Brazil for collecting two yellow cards in the quarter-final win over Romania, and fined the Swede $2,400.

● German coach Berti Vogts, under intense bombardment in Germany for their defeat by Bulgaria, was not on the flight taking most of the team home. Wisely, he is holidaying in Florida.

The loss to Bulgaria cost the Germans bonuses of $80,000 apiece for defending their title.

For reaching the quarter-finals, they received a mere $22,000 per man.

● Romania's players are to be made Citizens of Honour of Bucharest for their World Cup performance, said mayor Crin Halaicu. The team bowed out after Sweden beat them on penalties in the quarter-finals.

The only exception is Ion Vladiou, who became "a national shame," said Bucharest, when suspended for earning the team's only red card for a nasty foul. Each Romanian player was given a Mercedes by a local businessman for qualifying for the finals.

● World Cup semi-finalists Brazil topped the Sprint Soccer Poll for the ninth week running, poll organisers said yesterday.

Italy, Bulgaria and Sweden, the other three semi-finalists, held the next three spots in the weekly ranking of top 10 national teams as viewed by an international panel of soccer journalists.

Brazil received 474 points, followed by Italy (386). Surprising Bulgaria were third (349), then Sweden (313) – the first time Bulgaria and Sweden had reached the top five.

Romania, who lost their quarter-final to Sweden in a penalty shoot-out, were fifth (310) followed by Holland (260), Germany (229), Argentina (146), Mexico (97) and Spain (51) in tenth spot.

Repeat of classic final may lie ahead

It could be a repeat of the classic World Cup final of 1970. Today, Brazil and Italy, both three-time winners of the World Cup, have a chance of producing a rematch of that final in Mexico City 24 years ago when a Pelé-led Brazil trounced the Italians 4-1 with breathtaking soccer.

To reach this year's final on Sunday, Brazil must beat Sweden and Italy beat Bulgaria in the semi-finals. Odds-makers expect them to do so.

If Brazil and Italy survive, it will set up a Romario vs Roberto Baggio final, with several other intriguing rivalries on view, much like those in 1970. Then, Pelé, Jairzinho, Gerson and Carlos Alberto scored the goals that downed Italy and won the world's admiration.

Man for man, Italy probably had a stronger team in 1970 than it does now. But at least one problem looms for Brazil: a fired-up Roberto Baggio.

In today's semi-finals, Bulgaria will face Baggio while the Italians must handle another in-form striker, Hristo Stoichkov. With good support from Emil Kostadinov and Yordan Letchkov, Stoichkov was a handful for Argentina and defending holders Germany – the two 1990 finalists – and Bulgaria beat both on the way to the semis.

Brazil had problems dealing with Sweden in the first round, Romario scoring the equaliser in a 1-1 draw.

The Swedes have top-quality attackers in Martin Dahlin (fighting injury), Tomas Brolin and Kennet Andersson but will be without influential midfielder Stefan Schwarz, who is suspended.

■ Semi-Finals

Today
Italy vs Bulgaria
New Jersey 9pm BST

Brazil vs Sweden
Los Angeles, 12.30am Thurs

■ Final

Sunday, July 17
Los Angeles 8.30pm

Have skills, will travel - if the price is right

Jurek Martin in New York casts an eye over some of the tournament's 'mercenaries'

The identity of the first sporting mercenary may be debated. One may have been mentioned by Virgil but, sadly, handy copies of the Aeneid are not normally available in New York hotel rooms.

Yet the sporting mercenary has certainly been a phenomenon this century. Jim Thorpe, the great American-Indian athlete, would play for pay (he had hardly any choice, given the discrimination against him).

English cricket saw the likes of Learie Constantine from the West Indies before Brian Lara's father was born. The great Real Madrid soccer team of the 1950s was made by Puskas of Hungary and di Stefano of Argentina.

There used to be powerful opposition to importing talent. Yorkshire County Cricket Club only recently crumbled to allow those not born in the county to perform, while limits on the number of foreign players are still commonplace across sports, and only, perhaps, most prevalent in Japan.

Baseball even used to have a legal foundation for restricting the trade in players. Until the reserve clause binding a player to a club was declared illegal in the 1970s, transfers could only be effected by the club.

All that has now changed, and this World Cup has brought home that soccer players are just actors on a world stage, free to find the best-paying repertory company around.

Even the insular British have become accustomed to this, which says something given the hostility barely 30 years ago to the idea that John Charles and Denis Law would go off and play in Italy. (I bumped into Law on a slow train to Manchester a few years back; he said it was the best thing he ever did).

Now the English fan may enjoy vicarious pleasure, or the reverse, from the performance here of Russian and Norwegian goalkeepers (Chelsea and Spurs), a Bulgarian mid-fielder (Ipswich), just about every member of the 22-strong Irish squad, and doubtless a few more besides.

In fact, the only teams here whose whole squad only performs at home were Greece, for reasons which became apparent after watching the Greeks play; South Korea, which is a long way away; and Saudi Arabia, which has only recently started taking soccer seriously. But there are three or four Saudis now with real market value.

African players have already begun to explore Europe and elsewhere – for the Indomitable Lions of Cameroon it may have been the only way to get paid. Rashidi Yekini, the Nigerian striker, is one who plies his wares overseas.

When Spain played Italy last weekend, 16 of the 22 on the pitch as the match began had appeared in the AC Milan-Barcelona European Cup final earlier this spring. And that could not include Stoichkov, the Bulgarian wizard, who plays for the Spanish team.

If Ireland are the ultimate mercenary side, with none of their squad currently playing in the Irish leagues, Bulgaria lead the semi-final pack, with two-thirds of their 22-member squad, and almost all their starters, having present or past experience in other European leagues.

Romario and Bebeto of Brazil play in Spain and Portugal, as do several team-mates; there are Swedes all over the place; and if most of the Italians stay at home they have the compensation of performing in the most cosmopolitan league of the lot.

This familiarity may breed personal contempt, but it also generates knowledge of the opposition, almost regardless of what national colours they are playing under. The capacity now for any side to arrive at the World Cup virtually unknown is much reduced.

This seems to have been Bulgaria's particular ace-in-the-hole. Lechkov, whose goal dethroned Germany, may be the only Bulgarian at present playing in the Bundesliga (for Hamburg), but the likes of Stoichkov (Barcelona), Kostadinov (FC Porto) and Balakov (Sporting Lisbon) have been knocking the ball around against Germans at the best club level for years. At the very least, this made them unafraid. At most, it may have made them confident.

Letchkov owned up after the match that he had advised his coach beforehand that Thomas Hässler was the German to watch. Hässler happens to play in Rome, which either does or does not prove the point, but he did play well, as the Bulgarian predicted.

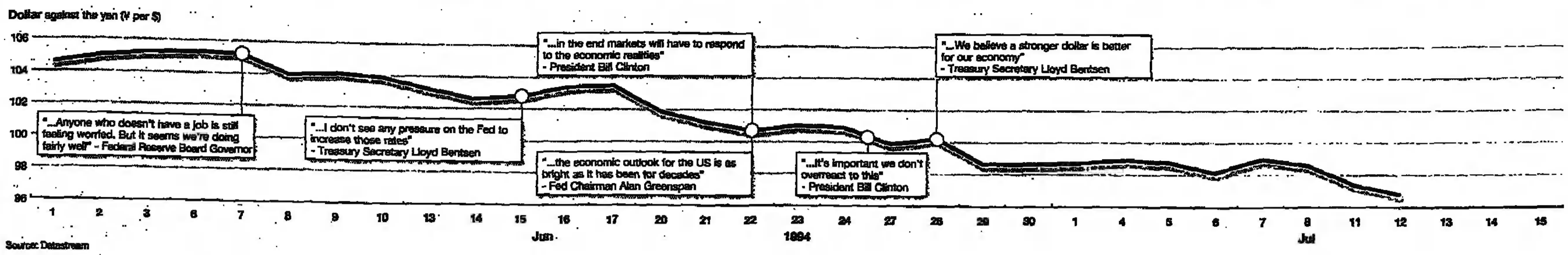
Ironically, Lechkov out-jumped the smaller Hässler to score his winning goal (and the FT apologises for fingering Kohler as the guilty party, but it was at the other end of the stadium, and delerious Bulgarian journalists – Sid and Doris Bonkov – were throwing their soft drinks, hats and programmes at the TV replay screens).

It may not always work. No-one has yet figured out a way to stop Romario and Bebeto, their European familiarity notwithstanding.

Nor has it proved possible entirely to neutralise the Baggios for a full game, though both have disappeared from action for long stretches at a time.

Of course, mercenaries do not always win battles, and even the French Foreign Legion's batting average is less than perfect. But it did not qualify for this World Cup either.

NEWS: THE DOLLAR IN DECLINE



Source: Datastream

Strong US fundamentals overlooked

Michael Prowse on contrast between the performance of America and of other industrial economies

President Bill Clinton did the dollar a disservice at the Naples economic summit last weekend by signalling his apparent indifference to its short-term fate on foreign exchange markets.

Yet the US administration's argument that traders are failing to pay sufficient attention to strong US economic fundamentals is not without merit.

The main point that seems to be overlooked in financial markets is the extent of the cyclical divergence in the economic performance of the US, on the one hand, and Europe and Japan, on the other. While most industrial countries have languished in recession, the US is now in its fourth year of a vigorous upswing in the business cycle.

Since the trough of the recession in early 1991, US gross domestic product has increased by nearly 10 per cent. Gross private investment is up by one third in real terms. Employment did not begin to recover until early 1992 but, since then, the US economy has generated about 5.3m new jobs – a percentage increase of almost 5 per cent.

This powerful cyclical upturn, moreover, has been led by the private sector. Overall non-farm business productivity grew by more than 4.5 per cent in 1992 and 1993.

Manufacturing productivity grew by an astounding 9.6 per cent, far faster than in previous upturns.

Also, for the first time in recent history, the recovery was not artificially induced by fiscal expansion. After more than a decade of large deficits, the US Congress has co-operated with both the Bush and Clinton administrations in reducing the deficit.

The deficit may fall below $190bn (£121bn) this fiscal year and to as little as $150bn in fiscal 1995 – or about 2 per cent of GDP, the lowest level since 1979.

The strong upturn has led to higher prices of some commodities, but it has not yet put much upward pressure on broad indices of inflation. Yesterday, the US labour department reported a zero increase in producer prices in June, both relative to May and on an annual comparison. Excluding the volatile food and energy components, the index fell 0.1 per cent last month and rose only 0.6 per cent from June last year.

Consumer price figures are due today – the annual rate of increase has been running at 2.5 per cent or less in recent months.

The Federal Reserve, moreover, has taken pre-emptive action to try to prevent inflation rising next year, raising short-term rates 1¼ percentage points to 4¼ per cent since early February. Financial markets tend to discount the good domestic economic news and focus instead on less encouraging trends in the US balance of payments.

The US has run a current account deficit every year since 1982, thereby converting itself from a creditor to a debtor nation. During the 1980s, the current account deficit was readily financed by capital inflows – especially Japanese purchases of securities and direct foreign investment.

The balance of payments strains have worsened recently for two reasons. First, the current account deficit has grown rapidly in the past 18 months, reflecting much faster growth in the US than elsewhere; it will reach about 2 per cent of GDP this year.

Capital flows have also been adverse. US investors have sought to diversify their portfolios by increasing investment in Europe and "emerging markets" in developing countries. At the same time, foreigners – especially the Japanese – have been less willing to invest in the US, following weakness of the share and bond markets.

However, these pressures need to be seen in perspective. As the graphs show, the dollar is not particularly weak, except against the yen. In trade-weighted terms, the dollar has fallen by more than 5 per cent this year but remains in its trading range of the past few years. Excluding the yen, the dollar has strengthened in trade-weighted terms since last year. This partly reflects the dollar's strength against currencies such as the Canadian dollar and the Mexican peso.

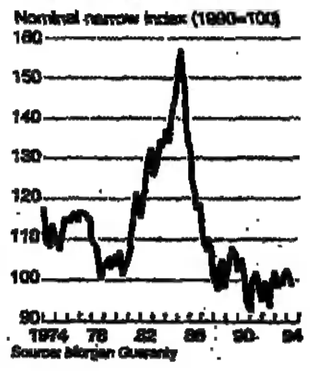
The strains on the US balance of payments may now be at their worst. In his Humphrey-Hawkins testimony to Congress later this month, Mr Alan Greenspan, Federal Reserve chairman, is likely to signal the need for further increases in US short-term interest rates, following recent confirmation that growth remains robust. Some economists expect short-term rates to reach 6 per cent by early next year. As US rates rise, capital inflows to the US are likely to recover.

The US current account deficit is also set to improve in 1995 and 1996, as European and Japanese economies emerge from recession.

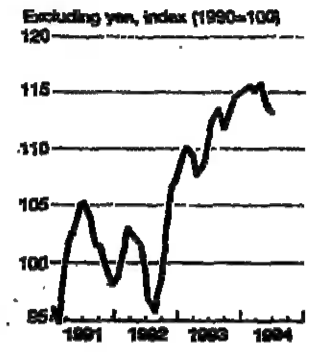
There is little reason to suppose that the deterioration of the US trade account reflects a fundamental lack of competitiveness. US merchandise exports to countries not in recession, including many developing countries and much of Asia, have continued to grow vigorously, reflecting the quality and attractive prices of US products. Indeed, there are already signs of a recovery in overall US export growth: export volumes for the year to date are running about 7 per cent above last year's level, compared with about 2 per cent late last year.

The volatility of the dollar on the foreign exchanges is a source of concern for the Clinton administration, but senior officials are justified in accusing the financial markets of myopia. The cyclical strains on the balance of payments are obscuring excellent underlying economic fundamentals in the US.

Trade-weighted dollar



Source: Morgan Guaranty



Watching the yen; ignoring the dollar

By Ken Warn in Washington and Michiyo Nakamoto in Tokyo

"You're kidding me," said Morris, a t-shirt and video salesman with a street stall in downtown Washington, on being told that the dollar has been falling recently. "I thought the dollar would have been rising against other currencies."

His reaction was not untypical. On the sunny streets of the US capital yesterday, the plight of the greenback was way down – usually off – people's list of concerns.

Morris had firm views on pretty much everything: "This government is pathetic; they wanna do something about the homeless problem. And crime."

But the dollar? "That doesn't really affect me day to day," he said.

The folk of Tokyo see things differently. From breakfast table, to taxi, to front-page headlines, the Japanese are relentlessly focused on the yen's climb against the dollar. They are more likely to know the daily rate to two decimal points than not at all.

Made dollar-weary by this national obsession, Mr Hiroshi Kume, a popular Tokyo TV presenter, yesterday related the news of the yen's rise to another record with a note of apology: "We have relayed the news so many times already, but the yen has again posted a record high," he said.

"Yeah, sometimes it goes up, sometimes it goes down," said Mr Randy Briolat, visiting Washington yesterday with his family from Portsmouth, New Hampshire. "It's really not a matter of serious concern – at least, I hope not."

Mr Briolat makes optical fibre and underwater cable, much of it for export. He acknowledged that a weaker dollar could help the export side of his business. Buttonholed just around the corner from the Treasury, Mr Briolat did not have any idea of the yen/dollar rate, like most respondents in yesterday's sample.

One man who did know the rate was Mr Jim Stinger, a technician with Xerox: "The dollar has been going down fast – crashing," he said. "It's a good thing. It's going to shake up people in this country and make us realise how screwed up we are. People have gotten too lazy."

"It's bad," agreed Mr Cristopher Henry, a hotel receptionist. "But it's weird too, because the economy is doing better, especially compared with Europe. European money should be way down. But the Japanese, they work harder at selling their products."

Elsewhere, it was largely blank looks, shrugs and stares – and this in one of the most cosmopolitan US cities. But a Metro supervisor at McPherson Square – "can't give you my name its against the rules" - shared the view that the dollar's weakness was bad for America. "It weakens our buying power and makes it harder for us to stand up and say we are number one," he said.

Alfred, a homeless man begging on 14th Street, agreed: "The dollar ain't like it used to be," he said.

Mistrust of Clinton leads to new lows

If Bob Woodward's account, in his new book, of life in Mr Bill Clinton's White House is to be believed, US financial markets have caused the president more than a little heartache.

The latest fall in the dollar can have done little to help. Despite the best efforts of the president and his economic team to highlight positive US economic fundamentals, the US currency has continued to reach new lows.

But Mr Guy Whittaker, head

Philip Gawith finds most analysts in agreement that the dollar will probably fall further in the short term, but there is also a belief that a change of sentiment on the US currency may be near

of foreign exchange and money markets at Citibank in London, dismisses the contention that news "soundbites", flashed into dealing rooms at speed, are pushing markets away from fundamentals.

"In the very, very short term, what a politician says can have an impact on the price action, but the duration of the effect is a reflection of the underlying market position and the behaviour of customers. The medium term is more driven by policies and fundamental flows, rather than short-term flows."

The market can be driven by a herd instinct. For spot traders, the response of the rest of the market to a given piece of data is more important than the fundamental information it conveys. But traders argue that, while this may sometimes lead the market in the wrong direction, it soon retraces to reflect fundamentals.

Most analysts agree that the dollar will probably fall further in the short term. Mr Rob Loewy, head of foreign exchange at Midland Global Markets, reports, for example, that the bulk of business being conducted on the options side involves hedging for a further decline in the dollar, not a recovery.

Traders argue that this is not because foreign exchange markets have become divorced from fundamentals. Mr Whittaker says the dollar is currently reflecting the fundamentals of a large trade deficit, reduced capital inflows and ongoing capital outflows.

It has also suffered from the re-rating of the D-Mark, on improved growth prospects, and of the yen, on lack of progress in opening domestic markets.

A factor in the fall of the dollar, has also been the markets' distrust of Mr Clinton. There is also a sense that he and Mr Lloyd Bentsen, treasury secretary, and his team of do not always speak with the same tongue.

Lack of policy clarity has already contributed to the reluctance of the Goup of Seven countries to endorse a dollar support package.

"Historically, central banks have found it difficult to agree on the correct value for a currency. Clearly there are different views at the moment as to what the appropriate value of the dollar is," said Mr Loewy.

"We are only likely to see co-ordinated intervention when there is a much stronger consensus on what the correct value is," he said, adding that European central banks see "little value in squandering their reserves to support the dollar when there is no clear policy from the US."

Mr Whittaker says the dollar is now suffering from an "investor strike". Although many customers believe the dollar is cheap at existing levels, uncertainty is such that nobody is willing to buy it when there is a good prospect it will be cheaper the next day.

"Clearly there are long-term investors still looking to sell the dollar," says Mr Whittaker. But until investors stop believing that dollar assets are likely to depreciate – the currency or the underlying asset – "any rally will be taken as an opportunity by long-term investors to sell."

He believes, however, that the dollar is "not a million miles from a turning point", with sentiment likely to change in the latter part of the year.

NEWS: INTERNATIONAL

Nigerian oil strike strengthens as senior staff stop work

By Paul Adams in Lagos and Robert Corzine in London

Senior staff in Nigeria's oil industry yesterday joined a week-long strike by junior workers as international oil companies struggled to maintain crude oil production, which averages about 2m barrels a day.

Many members of Pengassan, the 12,000-strong union for senior employees, stayed away from work in the head offices of oil companies in Lagos and at the oilfields in the Niger delta.

"It is just a matter of time before production is affected," said an official for one of the big oil producers yesterday. "We cannot produce as normal if both Pengassan and Nupeng (the blue collar workers' union) are on strike," he added.

"The longer the strike goes on the more our production will drop. Some of the routine work and maintenance requires Pengassan."

Shell, which produces half of Nigeria's oil, said: "It certainly has had an impact but it is too early to say how much. There is no immediate drop in liftings of crude oil."

Fears that the strike could seriously disrupt Nigerian exports caused world oil prices to strengthen yesterday. The price of the benchmark Brent Blend reached a 13-month high, with oil for September delivery quoted at just under $18 a barrel in late London trading yesterday, up from Monday's close of $17.45.

The markets are particularly sensitive to any loss of Nigerian production because most of its exports are destined for the US, where oil demand is high because of the strong economy.

Members of Pengassan occupy administrative positions in the oil joint ventures which are majority-owned by the Nigerian government. Staff who have walked out at the state's management company, Napims, and at the oil ministry, provide export clearance for the operators.

Oil executives said the closure of one refinery, the Warri facility in the south, would inevitably affect Kaduna refinery in the north as crude oil is normally pumped from Warri to Kaduna for processing.

Nupeng's strike has already halted distribution of fuel to filling stations in the main cities, which a military taskforce has done little to improve.

The strikers are demanding that General Sani Abacha's government "resolve urgently the political crisis" by upholding the result of last year's presidential election which was won by Mr Moshood Abiola, who is on trial for treason.

Pengassan is also protesting against the loss of 3,000 members' jobs in the first half of this year, which it blames on the government's failure to fund its 60 per cent share of the oil joint ventures.

Oil exports account for more than 90 per cent of Nigeria's foreign exchange income, which was about $10bn (£6.4bn) last year.

Peres ponders religious panel for holy sites

By David Horovitz in Jerusalem

Jerusalem's holy sites "required a religious rather than a political solution," Mr Shimon Peres, Israeli foreign minister, said yesterday, amid reports the government was debating the ultimate form of authority over Christian and Moslem holy sites in its Old City.

According to the Hebrew daily Ma'ariv yesterday, a proposal to establish an international panel comprising Jordan, the Palestinians, Morocco, Saudi Arabia and the Vatican to oversee the holy places has already been discussed "in strictly general terms" during recent meetings between Israeli leaders and Jordan's King Hussein and Morocco's King Hassan.

The Israeli Foreign Ministry immediately issued a denial that any consultations had taken place, but Mr Peres appeared to indicate there was some basis to the idea, saying Israeli and Vatican officials had already held substantive talks on control of Christian sites in the city, and that he welcomed King Hussein's recent calls for a Jerusalem "religious dialogue".

The future of Jerusalem is arguably the most complex issue yet to be resolved in the framework of the Middle East peace process. Israel annexed the eastern half, including the Old City, after capturing it from Jordan in the 1967 war, and leaders across the political spectrum have since declared Jerusalem to be Israel's united and eternal capital.

But under the terms of its autonomy accord with the Palestine Liberation Organisation, Israel agreed to discuss the future status of the city in negotiations due to begin in 1996. King Hussein, concerned that Mr Yassir Arafat, PLO chairman, would try to usurp the king's role as protector of the Dome of the Rock and the Al-Aqsa mosque, Islam's third-holiest site, has recently been strenuously asserting his rights.

Saudi Arabia's King Fahd, guardian of Mecca and Medina, along with Morocco's King Hassan, who heads the Jerusalem Committee of the World Islamic Conference Organisation, also have a deep interest in the issue.

Mr Peres stressed yesterday there could be no compromise over Israel's sovereignty throughout Jerusalem, but then added he had no desire to see a weakening of Jordan's influence at the Moslem holy sites, currently overseen by the Waqf Islamic Trust, under King Hussein's control.

It may be that Mr Peres, who is among the most moderate and creative of Israel's ministers, believes Israel's annexation of East Jerusalem might gain international recognition if it allowed wider control of the city's religious sites.

The issue of religious freedom in the city has been much-discussed in recent weeks, in the light of Mr Arafat's frequently expressed desire to pray at the Temple Mount, a request granted in principle by Mr Yitzhak Rabin's government, but rejected in practice because of the security implications.

Mr Arafat returned to Gaza yesterday, with his wife Suha and her sister Hala, to take up permanent residence.

In contrast to last week's triumphant homecoming visit, yesterday's permanent return was a modest affair, with only a few dozen locals turning out to welcome the PLO leader at the Rafah border crossing from Egypt. Mr Arafat held an immediate meeting with Palestinian security officials, then retired to Gaza City's Palestine Hotel to work on his agenda for the coming weeks.

Armed Palestinian on guard atop the Palestinian Authority compound in Gaza City yesterday Reuter

Arco in $1.3bn Algerian oil deal

Atlantic Richfield of the US yesterday signed a $1.3bn production-sharing deal in an existing Algerian oilfield with Sonatrach, the Algerian state oil and gas company, writes Francis Ghilès.

The aim is to double the recovery rate in the Rhourde el Baguel oilfield in eastern Algeria from 20 to 40 per cent of recoverable reserves. Of the total investment, $1bn will be spent in exploration over the next five years; the balance is the so-called "entrance right".

This is the first agreement of this type concluded since Algeria's oil and gas exploration laws were liberalised in a new hydrocarbons law of December 1989. A string of oil exploration contracts have been signed over the past two years which have led to pacts signed between Sonatrach and more than 24 international oil companies.

The Arco deal follows increased nervousness about the safety of foreign nationals in Algeria. On Monday, gunmen disguised as Algerian police killed four Russians and a Romanian working with Sonatrach. Suspected Moslem fundamentalists last week killed seven Italian seamen; four Algerians died in a shoot-out outside Italy's Algiers embassy yesterday.

Mr Livio Caputo, Italian deputy foreign minister, said in Rome that Italy had said it would reduce the number of Italians in Algeria and would boost security for expatriate workers and its diplomatic missions. Mr Antonio Martino, Italian foreign minister, discussed Algeria in Paris yesterday with Mr Alain Juppé, his French counterpart.

Japanese PM assailed on yen

By William Dawkins in Tokyo

Japan's two-week-old government was yesterday accused by the opposition of lacking the economic policies needed to stem the yen's inexorable rise.

Komeito, the Clean Government party, a member of the previous government, accused Mr Tomiichi Murayama's three-party coalition of lacking the "will and ability to pursue economic reforms".

The yen hit another new high of Y97.07 to the dollar in Tokyo, rekindling fears that its 16.7 per cent rise against the US currency since the beginning of January could choke Japan's nascent economic recovery. At the weekend Group of Seven summit in Naples, Tokyo failed to obtain even a discussion of co-ordinated intervention to support the dollar, Mr Masayoshi Takemura, finance minister, admitted yesterday.

Mr Yasushi Mieno, governor of the Bank of Japan, stepped up the campaign for joint intervention by repeating alarm over the yen's renewed rise yesterday at a meeting of the Bank for International Settlements.

According to a survey by the Nihon Keizai Shimbun economic daily, Japan's top 200 companies believe taxable profits will fall by 10.2 per cent this year, the fifth annual decline, if the dollar stabilises at Y95. Pre-tax profits will fall by 3.4 per cent this year if the dollar sticks at Y100, they told the survey.

The government, a coalition led by the conservative Liberal Democratic party and Mr Murayama's left-wing Social Democratic party, also came under Komeito criticism yesterday for lacking a "clear-cut policy" on North Korea and the change of leadership there. Komeito claimed that Mr Murayama's performance at the G7 summit raised doubts over Japan's international credibility.

The exigencies of Japan's domestic politics have forced the government to delay by a week, until July 22, a visit by Mr Murayama to South Korea, to discuss bilateral relations and the nuclear threat.

Officials said Mr Murayama needed time to prepare for his first opportunity to face his political foes in public when he delivers his first policy speech to parliament next Monday, followed by two days of questions.

Mixed response to rice subsidies

By Emiko Terazono in Tokyo

The unexpected return of the Liberal Democratic party to power in Japan and the rise of the Social Democratic party has been welcomed by many in the country's farming lobby wanting to reinstate previous cosy ties with the government.

Last week the ruling coalition decided to raise rice subsidies by 70 per cent from the previous year to Y28.5bn ($277m) and to maintain the state purchase price of rice at some Y273 per kilogram, several times the world average.

The move has widely been regarded as a step backward in the push for a more efficient farming sector and has triggered criticism from business leaders and bureaucrats urging farming reform. "That the reform effort seems to be turning back is worrying," said Mr Takeshi Nagano, president of Nikkeiren, a leading business group.

For more than 40 years, Japanese farmers have been sheltered from market forces and protected by government subsidies. The powerful rural vote, and the cultural and emotional links among Japanese to agriculture, have helped maintain the structure.

The smaller population of rural constituencies gave farmers a bigger voting power, meaning they received subsidies as long as they pushed politicians hard enough. The LDP and SDP have more rural seats than members of the reforming multi-party coalition which they ousted in the past month.

The new government yesterday said the release of a report on farm policy originally planned for this month would be delayed until mid-August because of administrative reasons. Mr Taichiro Okawara, agriculture minister, called for support of Japan's agriculture by ensuring that enough finances are allocated to helping farmers cope with the impact of cheaper imports.

Such government policies in turn have helped maintain postage-stamp paddies on the hillsides while forcing consumers to pay exorbitant prices for the rice. However, younger politicians representing urban constituencies and industrial leaders have criticised such policies.

The Keidanren, the business leaders' federation, has been calling for deregulating rice distribution and cutting food prices by lowering direct subsidies and the state purchase price.

Agriculture ministry officials are also trying to push farm reform before the full-fledged liberalisation of the Japanese rice market due in 2000 under the Uruguay Round of trade liberalisation talks. Partial opening of the market to foreign imports under the trade agreement is scheduled to start next year.

The ministry released a policy report in 1992 calling for consolidation of rice paddies to create bigger and more efficient rice farms. It has also been looking to increase the competitiveness of domestic rice by deflating the artificially high rice prices.

Hong Kong plans old-age pension scheme

The Hong Kong government, usually noted for being non-interventionist, yesterday proposed an old-age pension scheme requiring compulsory contributions from personal and corporate taxpayers, Reuter reports from Hong Kong.

The territory, which has a comparatively low tax regime, has minimal welfare services and no pension scheme for its aged residents. But it has recently debated the establishment of a government-administered scheme similar to Singapore's.

Under a consultation paper issued for comment, Hong Kong workers and companies would have to contribute 1.5 per cent of earnings to a pension fund that would be run by a non-government body.

The government would inject HK$10bn (US$1.28bn) to kick-start the scheme. It would also have to contribute about HK$1.2bn in 1994 on behalf of its civil servants if the scheme became operative. The government estimated it also would forego around HK$800m in revenue as employers contributed to the pension fund.

Hong Kong's personal tax rate is currently 15 per cent and the corporate tax rate 16.5 per cent.

Governor Chris Patten said there was a deep-seated view that the community needed to do more for its elderly. "We've put forward proposals which recognise the debt, the obligation which the whole of our society owes to our elderly citizens who've helped build and create Hong Kong and have made it the great success which it is," Mr Patten told reporters.

No start date has been recommended for the scheme, proposed in a consultation paper that invites public comment by October. A pension payment of HK$2,300 (US$295) a month, to be adjusted with inflation, would be paid to residents aged 65 and above who have lived in the territory for a continuous period of seven years or more. There would be no exemptions for contributors to voluntary retirement schemes.

China would be required to continue the scheme after it resumes sovereignty of Hong Kong in 1997. Mr Patten said he had written to Mr Lu Ping, China's top official with responsibility for Hong Kong affairs, to inform him of the proposal.

Pakistan expels Indian diplomat

Pakistan yesterday ordered an Indian diplomat to leave the country within seven days after detaining him for several hours in a new spying row between the two old enemies, Reuter reports from Islamabad.

The action against Mr V.S. Chauhan, an Indian High Commission attaché, followed the Indian authorities' detention in New Delhi on Monday of Mr Afzal Khan Bajwa, a Pakistan High Commission official, for alleged spying.

Iraqi paper hits at alcohol ban

A newspaper published by President Saddam Hussein's eldest son Uday yesterday disapproved of recent government measures applying Islamic law in Iraq, including a ban on drinking alcohol in public, Reuter reports from Baghdad.

The paper Babel, in a daring front-page editorial, warned the government that the latest ruling barring public drinking and dancing and applying the Islamic Sharia penal code might encourage Islamic movements in the country.

China 'may be third' in defence spending

By Simon Holberton in Hong Kong

China spends twice as much on defence as it admits and may lag behind only the US and Russia in total defence outlays, according to the International Institute for Strategic Studies, a London-based defence think-tank.

It believed China's defence budget this year was worth about Yn100bn (£7.5bn), nearly twice the Yn53bn Beijing said it planned to spend. The extra funding came from other parts of the state budget and the military's commercial activities, the IISS added.

Depending on the method used to establish the "purchasing power parity" of China's defence spending, the country's current spending equalled between $28.5bn and $45bn (£18.2bn-£28.7bn). This compared with the $6bn Beijing says it spends based on market exchange rates. The findings were presented at a conference on the People's Liberation Army in Hong Kong.

Even at the lower dollar end of its estimate, expenditure this year represented a sizeable military effort. In relative terms it is surpassed only by the US, Russia, Britain, France, Japan and Germany. China possesses a "crude and lethal" nuclear war fighting capability together with "a potentially effective conventional capability under some conditions".

The IISS reckoned Beijing would spend up to $6bn this year on strategic nuclear forces, against $50bn in the US and $2.3bn in Britain. But "China is a nuclear power whose global reach seems only a matter of time."

It questioned if China got value for money from its defence spending, and if the inheritance of a Soviet-style defence establishment would retard development of a modern military capability.

Another threat to its fighting capability is the PLA's extensive involvement in entrepreneurial activities. Prof Ellis Joffe, the leading PLA expert at the Hebrew University of Jerusalem, said that over the past two years the military's involvement in business had got completely out of control.

"Traditionally the PLA has been involved in economic activity, but never on this scale and never for profit," he said. "No army can function properly if corruption in it is widespread."

The city that 'makes the money Beijing spends'

Andrew Gowers and **Tony Walker** on Shanghai, a laboratory of social and economic change

Mr Xu Kuangdi has a neat way of summing up the relationship between his sprawling port city and China's central government. "In Shanghai we make money; in Beijing they spend it," he says.

Mr Xu, Shanghai's first vice mayor in charge of the economy and an exemplar of the new breed of modernising official, might also trumpet his city's role as something of a laboratory of economic and social change.

In China's latest growth phase, Shanghai, under an innovative municipal leadership, has emerged as a place where the authorities have made greater progress than other cities in formulating new housing and welfare policies.

With state industries undergoing painful rationalisation, and unemployment rising in China's cities, there is scarcely a more pressing issue than the provision of a rudimentary social security net.

INCOME IN CHINA
Average per capita, 1992

	Yuan
Guangzhou	3,183
Shanghai	2,842
Beijing	2,364
Tianjin	2,080
National average	1,826

Source: State Statistical Bureau

Mr Xu, a 56-year-old former professor in metallurgy and a man tipped for higher office, would be the first to admit there is still a long way to go; but he believes that the municipal government is making progress in its efforts to build a rudimentary social security system.

Shanghai's workers are now required to pay 5 per cent of their monthly salaries – matched by a 7 per cent contribution from the enterprises themselves – into an unemployment fund administered by the local Bureau of Social Security.

Separate funds have been established for health, housing and pensions, with their assets to be invested in infrastructure and utility projects both in Shanghai and beyond – thus playing their part in the much-needed effort to improve the city's power generation and transport facilities.

Many of those laid off are sent for retraining so they can transfer to growing sectors of the local economy such as service industries. Older workers – men over 50 and women over 45 – are pensioned off and transferred to the care of their local communities, which provide a living allowance: already 30,000 pensioners have been dealt with in this way.

Shanghai modelled its new social security arrangement on Singapore's compulsory savings scheme, the Central Provident Fund, and from studying social security systems in Japan, France, Germany, the UK and Canada.

But though proud of Shanghai's "pioneering" efforts, Mr Xu is wary of the suggestion that the experiment could readily be extended to other Chinese provinces which are, in any case, developing their own schemes.

"China is so big and its development is so uneven. Also economic structures and living standards are quite different. So making a national scheme would be difficult," he says. "Finally, in 30 or 40 years when we've all developed, we ought to be able to find a common system. But in the meantime there are dangers in the poor provinces always looking to the rich provinces for help. They have to work hard to improve themselves ..."

In any case, Mr Xu insists that Shanghai – with one of the highest per capita annual incomes in China – has long paid more than its dues to assist the centre in evening out regional imbalances.

In the early 1980s, it was providing more than 89 per cent of locally collected taxes to Beijing, a burden that contributed to Shanghai's stunted development during those years. Now, under a new "tax treaty" between the centre and the provinces, the figure is down to a more tolerable 60 per cent.

Mr Xu and his colleagues are also evolving a neat if unsentimental way of dealing with their most troublesome state industries, namely those in the textile sector which, starved of investment, have fallen on hard times.

Shanghai is restructuring the industry by moving labour-intensive tasks such as primary cotton-processing to inland provinces such as Sichuan and retaining the higher-value added business of manufacturing the final product in Shanghai.

Does this not mean exploiting China's growing regional inequalities and taking advantage of cheap labour? Mr Xu, whose father was a factory boss before the 1949 revolution, grins and nods enthusiastically.

Xu Kuangdi: tipped for higher office

Rosyth naval base set to win reprieve

By James Blitz and Roland Rudd

Mr Malcolm Rifkind, the UK Defence Secretary, will tomorrow announce that the Rosyth naval base in Fife has been saved and that the majority of its civilian workers will retain their jobs.

Amid widespread suggestions that the government would announce the closure of the Rosyth base this week, Mr Rifkind will reveal that he has met the Treasury's demands for substantial expenditure cuts by finding savings in other areas.

It is understood that defence chiefs, in preparing an expenditure review to be unveiled tomorrow, have found larger-than-expected savings in the amount spent on Research and Development by MoD scientists.

They will also announce substantial savings through changes in the procurement of spare parts and ammunition. These savings will help the MoD to cut expenditure over the next three years by at least £1.2bn, the figure set by the Treasury in the last budget.

There have been strong expectations that the expenditure cuts will lead to job losses in the armed forces of between 20,000 and 25,000 – but MPs have been told this week that the redundancies will be "at the low level of expectations."

According to a Downing Street spokesman, the MoD's plans for defence expenditure – dubbed "Front Line First" – are certain to be approved by the cabinet at its weekly meeting tomorrow. However, MPs have been told that the white paper will have a strongly "consultative" nature, leaving open the opportunity for further refinement over the next three months.

The proposal that Rosyth should be saved follows intense last minute lobbying by Scottish Tory MPs, the Labour leadership and workers at the yard.

It is understood that the final number of redundancies at Rosyth has still not been finalised. But MPs have been told that most of the civilian personnel at Rosyth will keep their jobs, and that the number of redundancies could be as low as 300.

However, Mr Rifkind is expected to announce that Rosyth will have a different role from the one it has had in the past. According to one MoD source, the base will concentrate on its role in minesweeping support, fisheries protection and support for North Sea oil installations.

One of the reasons why the dockyard can be saved is that defence chiefs have found that there is far greater scope to reduce MoD spending on R&D than had been expected.

Government accountants had assumed that expenditure by MoD researchers was around £800m. But the department's Defence Cost Studies programme, launched at the end of last year, discovered that an extra £0.5bn of public money was being unnecessarily spent in this area.

Defence chiefs have not revealed what the extra R&D cash was being spent on. Instead, Tory MPs have been led to believe that the Defence Cost Studies report discovered a series of accounting errors.

Overseas sourcing increases

By James Buxton, Scottish Correspondent

Electronics companies based in Scotland are obtaining a sharply diminished proportion of their material inputs from plants located in Scotland. A survey of electronics companies in Scotland shows that the share of their material inputs obtained locally has dropped from 12 per cent in 1992 to 5 per cent this year.

This is despite a 27 per cent increase in the value of the output of the Scottish electronics industry over the same period, taking it up to £9.3bn, according to the survey.

The survey conducted by SPEED (Scottish Partnership in Electronics for Effective Distribution) – a pressure group for better Scottish transport links – found that 37 per cent of inputs measured by value came from the Far East, compared with 24 per cent in 1992.

The proportion supplied from continental Europe fell from 24 to 20 per cent and that from the rest of the UK from 15 to 10 per cent. The proportion obtained from the US rose to 27 per cent from 24 per cent. Materials imported from abroad were worth £5.34bn compared with £4.9bn in 1992.

The sharp drop in the proportion of material inputs produced in Scotland will dismay electronics industry leaders who last winter launched a programme to increase the indigenous content of Scotland's electronics output.

SPEED, which says its survey had a 87 per cent response rate from 250 electronics companies, suggests that although companies such as International Business Machines, which have recently stepped up output of personal computers in Scotland, have printed circuit boards assembled in the Scottish plants of multinationals, many of the components themselves originate in the Far East.

It says the number of people employed in the Scottish electronics industry has increased by 2,500 to 46,500 in the past two years. The material content as a percentage of turnover dropped from 66 per cent to 57 per cent, indicating that more value is being added.

MPs to decide on 'cash for questions' in emergency debate

By David Owen

MPs will decide today whether to hold a full-scale parliamentary investigation into the so-called "cash for questions" affair, in a move that could have far-reaching consequences for their ability to exploit outside interests to augment their income.

Miss Betty Boothroyd, the Speaker, yesterday gave the go-ahead for an emergency debate tomorrow into whether to refer the issue to the Committee of Privileges. The matter arose from newspaper allegations that two Conservative MPs were willing to accept £1,000 to table parliamentary questions.

Addressing a packed and tense Commons chamber, Miss Boothroyd said there was "an urgent need to clarify the law of parliament in this area".

She said the conduct of The Sunday Times newspaper, which claimed to have used a reporter posing as a businessman to approach Labour and Conservative MPs, "merits further examination".

One focus of today's debate is expected to be whether or not MPs with outside consultancies should be allowed to sit on the ad hoc committee of senior members to which the Commons is expected to refer the issue.

Mr Dale Campbell-Savours, the Labour MP for Workington, said any report produced by such a body would be "discredited" without an assurance that its members had no conflict of interest with work they undertook as parliamentary consultants.

But Labour last night stopped short of demanding that MPs with consultancies be excluded from the committee. A senior spokesman said he hoped the body would recommend "a radical tightening up" of the rules relating to consultancies.

There is little evidence that either the extent of MPs' outside interests or the large number of MPs who have them is on the decline in what is sometimes said to be the age of the career politician. Fewer than 10 per cent of MPs had nothing to declare in the most recent register of members' interests.

Goldsmith promotes Paris-London links

By David Owen

Sir James Goldsmith, the international financier, yesterday urged Britain and France to develop their own special relationship in response to signs of rapidly improving relations between the United States and Germany.

Speaking in London as Mr Bill Clinton neared the end of a visit to Germany, Sir James said recent remarks by the president indicated it was important for Britain and France to try and understand each other and to act together.

Mr Clinton had demonstrated "his astounding lack of history which is to be added to his astounding lack of wisdom," Sir James continued.

He said the special relationships between both Britain and the US and France and Germany were on the wane.

Sir James's comments – to journalists after a meeting with Conservative backbenchers – came just 24 hours after Mr Clinton said the US and Germany had "a more immediate and tangible" concern with certain issues "even than our other friends in Europe."

Sir James, president of the anti-Maastricht Other Europe political group which last month won 12.3 per cent of the vote and 13 MEPs in the French Euro-election, also spelt out his views on a range of EU issues.

Voicing his support for last month's veto by Mr John Major of Mr Jean-Luc Dehaene's candidacy for the European Commission presidency, Sir James called for full confirmation hearings for the post to be held in public.

Britain in brief

National Forest plan moves ahead

Mrs Gillian Shephard and Mr John Gummer, respectively UK agriculture and environment secretaries, are setting up a new company to bring into being The National Forest, a wooded landscape over 194 square miles of the English Midlands.

The National Forest is one of the UK's most ambitious environmental projects, designed to rehabilitate a landscape spoiled by mining, to provide new rural business opportunities and to create fresh recreational facilities.

The new company, another quango (quasi-autonomous non-governmental organisation), will have its expenditure controlled by the government with a corporate plan approved by ministers each year. Its operations will start formally on April 1 1995.

The National Forest straddles parts of Derbyshire, Leicestershire and Staffordshire, surrounding the towns of Burton-upon-Trent, Swadlincote, Ashby de la Zouch and Coalville.

Atomic group cuts losses

The UK Atomic Energy Authority managed to cut its losses in its latest financial year as it prepares for privatisation.

The company lost £10.7m in the year ending March 31, compared to a loss of £46.9m a year earlier. The results included large restructuring and reorganisation costs, without which the AEA made an operating profit of £22.1m, on a level with the previous year's £22.8m.

Sir Anthony Cleaver, chairman, said: "In the past year we exceeded all our financial targets while also making the changes to our organisation which are essential for our future growth and development." The restructuring will cost a further 400-500 jobs, he said.

The AEA was recently split into two main parts. AEA Technology, containing the science and engineering business, will be privatised, probably next year. AEA Government Division will remain in public hands to oversee the decommissioning of the Authority's many nuclear sites.

Scots recovery strengthens

Economic recovery is strengthening in Scotland with business confidence rising in all sectors except retailing and demand increasing faster than in the first quarter of the year, according to the latest quarterly business survey by the Scottish chambers of commerce.

The survey showed a significant rise in manufacturers' confidence and a strong increase in sales and orders, with export markets performing best, followed by the Scottish market and then the rest of the UK.

According to the Fraser of Allander Institute, the economic research organisation at Strathclyde university which analysed the survey returns, investment by manufacturers in plant and machinery remained on a rising trend and was expected to increase further.

Threat to Gaelic TV

Roy MacIver, chairman of the Gaelic Television Committee – set up to make programmes in the language for showing on BBC and ITV – said a £1m reduction this year in government aid would would result in a 25% decrease in programmes next year.

The committee received grants totalling about £19m from the Treasury in its first two years - but this year's grant has been cut to £8.7m.

The last census showed that only about 70,000 people in Scotland spoke Gaelic fluently. However Machair, a drama serial about life at a Gaelic college, has attracted peak-time audiences of 300,000.

In addition, about 20,000 people have bought material to learn Gaelic courses on TV.

The committee's director Mr John Angus Mackay warned that if funding was not increased they would be able to show only 150 hours of Gaelic programmes a year, instead of 200 hours.

Construction tops £2bn

The value of monthly construction contracts in May broached £2bn for the first time in four years, according to figures published by the Environment Department.

The surge follows a dip in orders in March and April which had caused concern that the pace of recovery might be faltering.

Industry leaders said yesterday that the latest increase was encouraging and showed that a slow recovery was continuing. There was concern, however, that a rise in interest rates could halt progress. Mr Christopher Vickers, construction spokesman for the Royal Institution of Chartered Surveyors, said: "Any rise now would be a blow to confidence."

Draw made for Open

Nick Faldo will go head-to-head with new US Open champion Ernie Els in the first two rounds of the 123rd Open championship at

Ballesteros: a possible winner?

Turnberry, Scotland, on Thursday and Friday.

Greg Norman and Ian Woosnam have also been drawn together.

Faldo, second favourite to Norman, is going for his fourth Open title in eight years. European sentiment will also back Severiano Ballesteros, still seen as a possible winner despite erratic form.

Water chiefs' pay rise row

Directors of privatised water companies should abide by the government's strict limits on pay increases for public sector workers, Mr John Major said yesterday.

During rowdy Commons exchanges, Mr Major defended water privatisation against repeated attacks by Mrs Margaret Beckett, the interim Labour leader.

But he said directors of the privatised utilities "should follow the lead which the government has set for pay in the public sector and elsewhere."

Mr Major's comments reflect growing sensitivity among ministers about water bills and rising salaries, an important issue during the European and local elections.

AIA looks at UK links

The Association of International Accountants, which has just had its qualifications recognised for the purposes of auditing by the Department of Trade and Industry, is discussing closer integration with the other UK accountancy bodies.

Mr John Turnbull, director general of the Association, said yesterday that he was considering applying to the Consultative Committee of Accountancy Bodies (CCAB), which represents the UK's six leading accountancy organisations.

He was speaking at the launch of details of the qualification issued by the Association, which has just been approved by the DTI as valid for auditors to UK companies.

He said the Institute of Chartered Accountants in England and Wales had expressed willingness to supervise its auditing members within the UK, although the Institute said yesterday it had received no formal application, merely an initial inquiry three years ago. The AIA was founded in 1928, but has primarily served accountants based outside the UK.

SFA to monitor derivatives

By Norma Cohen, Investments Correspondent

The Securities and Futures Authority, the self-regulatory body for leading City firms, is monitoring the ability of the largest securities houses to assess the risks they take on with complex derivative products.

In a series of inspection visits, some of the firms, which are largely subsidiaries of the world's largest commercial and investment banks, have been told to alter their risk models and their management structures.

Also, the SFA is insisting that firms whose senior directors do not have a reasonable grasp of the work done by the more junior "rocket scientists" who design complex products to appoint a team which does. The team should report directly to the board, SFA officials said.

In its annual report for the year ended March 31, 1994, the SFA said the switch in strategy follows a review of the way its surveillance division carries out its duties at firms "whose operations cover a wide range of different products and especially over-the-counter and derivative products."

A special surveillance team will monitor the activities of 24 major securities houses and an annual "risk management review" will be conducted. So far, the reviews have been conducted at 12 firms, the annual report said.

The change in strategy is in line with growing concern among securities regulators world-wide about whether firms which sell over-the-counter derivatives understand the risks they are taking on.

In particular, the SFA is looking at the models each firm uses for determining the pricing of complex bespoke derivative products for which there are no screen-based prices. The prices of these products vary widely with market movements and the amount of capital required to be held for each will vary widely depending on how the price is determined.

Regulators fear that inadequate pricing models will leave firms holding too little capital to cover losses in highly volatile trading conditions such as those earlier this year.

Separately, the SFA said its administrative expenses have risen, partly reflecting increased costs of professional services associated with its enforcement duties.

Regulator wins crucial City case

By John Mason and Norma Cohen

A High Court judge yesterday, in a sweeping judgement which will affect regulators all over Britain, ruled that the Securities and Investments Board, the City's chief regulatory watchdog, cannot be sued for damages by private individuals unhappy with its enforcement activities.

The UK courts have never been asked to rule on a point of law about the remedies available to those who feel aggrieved by the way regulators carry out their duties.

Mr David Mayhew, solicitor for Clifford Chance, the SIB's counsel, said the ruling will also buttress the Bank of England, the Monopolies and Mergers Commission and the Office of Fair Trading, among others.

Afterwards, SIB officials expressed considerable satisfaction at the result. One said: "This was about the propriety of the exercise of our powers. We have very strong powers to do things and this case was a test of whether we use them properly".

Mr Justice Lightman threw out the action seeking £7m in damages from the SIB in a case brought by Melton Medes, a trading conglomerate accused of breaching pension fund investment rules.

The plaintiffs had argued that the SIB had disclosed "restricted information" in violation of Section 179 of the Financial Services Act to the pension scheme beneficiaries who are asking the company to restore a similar amount to the scheme.

Had the scheme beneficiaries not obtained the information, they would not have pursued their case against Melton Medes for restitution to the scheme, they argued.

In his ruling, Mr Lightman said that the law clearly states that individuals have no private right of action if they feel aggrieved. The intent of Section 179 is to protect the special interests of informants and "to control in the public interest the use of information acquired rather than to subject SIB, in this respect, to private law actions."

The only remedy open to Melton Medes is to seek a criminal prosecution of the SIB or a judicial review of its conduct.

He denied the plaintiffs request for leave to appeal his ruling and awarded indemnity costs to the SIB.

Ulster Orangemen mark the Battle of the Boyne of July 12, 1690 - the victory of William of Orange over Catholic King James

Shrinking state still proves top heavy

By Philip Stephens, Political Editor

Top government administrators, the legendary 'mandarins' of Whitehall, are up in arms. They have too many ministerial masters.

On the eve of a government policy paper foreshadowing more cuts in administrative jobs, the mandarins are complaining that ministers have exempted themselves entirely from the drive to reduce the size of the state.

A handful of optimists in Whitehall are suggesting Mr John Major might use the forthcoming reshuffle to practice what the government preaches and cut the number of ministerial jobs in the government.

Realists predict the prime minister will be more concerned to maintain the fragile peace amongst the Tory rank-and-file, so patronage will again come before principle.

The Treasury estimates that privatisation and contracting out has cut the size of the government by about a quarter since the start of the Thatcher revolution in 1979.

Civil servants numbers also have dropped 24 per cent from 732,000 to 554,000. Today's paper will forecast another fall to below 500,000 within the next four years.

However, comparison of the official lists show that there were 81 ministers and 21 paid government whips (in charge of internal party discipline) in Mrs Margaret Thatcher's first administration. Now their are 87 ministers and the same number of whips.

If these well-healed ministers had suffered the same squeeze as their mandarins the number chauffered to and from their plush offices at taxpayer's expense would have fallen sharply to a mere 62. The cost is not borne only by the taxpayer. Superfluous ministers add to the workload of their civil servants.

Nor can these myriad parliamentary under-secretaries, ministers of state, solicitors' general and economic secretaries claim their Westminster workloads have increased. Responses to MPs questions more often than not consist of referrals to the relevant agency or privatised business.

Maxwell action dismissed

By John Mason

A legal action brought by the Maxwell pensioners to claim up to £235m from the administrators of Maxwell Communication Corporation was dismissed by the Court of Appeal.

Three appeal court judges rejected the argument of the liquidators of Bishopsgate Investment Management, the former manager of the Maxwell pension funds, that it had a prior claim to the first £235m of the money raised from the sale of MCC assets.

Price Waterhouse, the administrators of the largest quoted company run by the late Mr Robert Maxwell, have so far raised about £880m from such asset sales.

PW has proposed treating BIM in the same manner as other creditors - by paying dividends raised from the asset sales.

However, BIM had claimed it had a prior claim over the full amount of BIM's pension money wrongly paid to MCC.

The ruling will not enable PW to bring forward its plans to pay interim dividends to creditors since BIM still has other claims outstanding against MCC which have to be settled in the High Court.

The appeal court awarded costs against BIM and refused it leave to appeal to the House of Lords. However, lawyers for the former pension managers said that they still intended to apply for a further hearing.

No peace dividend for the people of Plymouth

Roland Adburgham reports on the plight of a regional sub-economy based on defence and the historic city at its heart

On Plymouth's historic Hoe, overlooking the sea, there is an imposing memorial to the port's servicemen and women, killed in the two world wars. It is inscribed with no fewer than 23,182 names. Today, Plymouth is having to come to terms with the casualties of peace.

The 850 redundancies at the city's Devonport naval dockyard, announced last month, are the most recent consequence of the peace dividend. In the seven years since the consortium DML took over the privatised management of the yard, the workforce had shrunk from 11,400 to 4,350 even before the latest job losses. The euphoria last year of winning the contract to refit Trident submarines has evaporated.

Plymouth has one of the highest concentrations of defence establishments in the country. As well as the dockyard and employers such as British Aerospace, there are 18 military bases in its travel-to-work area. According to Plymouth Business School, defence accounts for more than one in five local jobs.

The city fears any benefits of national recovery are being cancelled out by cutbacks which Mr David Jamieson, Labour MP for Devonport, described as having a "major and devastating effect." It is widely expected that tomorrow's defence review could entail further losses, with the possible relocation of Royal Marines.

Mr Tudor Evans, chair of the city's employment and economic development committee, said: "We already have poverty as intense in some wards as anywhere in the country," he said. In the Plymouth travel-to-work area 17,600 people are unemployed, or 11.6 per cent. In some parts of the city, male unemployment is 25 per cent.

The first years of DML cutbacks saw early retirements and large pay-offs. Redundancy costs, met by the taxpayer, averaged £30,000 a person. Mr Peter Whitehouse, DML's business development director, said: "Now the young and those who genuinely want to work will be unemployed and the social and economic impact will be much higher."

Many of the redundancies are among the well-paid and skilled. At the crowded Devonport job centre, nearly all the vacancies are for unskilled or semi-skilled work, often part-time.

The defence dependency, not only of Plymouth but of the counties of Devon and Cornwall, has stimulated a recognition that the sub-regional economy needs to be restructured. A public and private sector partnership, Westcountry Development Corporation, has been set up to help job creation when many traditional industries, like fishing, are also undergoing structural change.

European and government funding is starting to come into the region. Plymouth last year gained European Objective 2 status. It has also been designated an assisted area. But Plymouth Business School calculated that funding to compensate for the loss of defence-related spending had been insignificant.

"Much of it has come very late and it's just too little," said Mr Jamieson. "There is no joined-up thinking between one government department and another. The Ministry of Defence is acting totally unilaterally."

The government has become conscious of its vulnerability in the south-west (last month the Conservatives lost the European parliamentary seat of Cornwall and Plymouth West to the Liberal Democrats).

One action has been to create a development corporation for three of the waterfront military sites in Plymouth. Mr John Collinson, its chief executive, who is seeking a variety of inward investment from leisure to light industry, said: "I am heartened by the interest. Plymouth is probably better known around the world than it is in London. It is about time the city took its rightful place on the stage and I think it will."

Companies such as Toshiba of Japan and Wrigley of the US have plants in the city. To encourage tourism, Plymouth is promoting itself as a "historic waterfront city."

Mr John Mannell, chief executive of Devon & Cornwall training and enterprise council, said: "Plymouth has such natural potential - it is a wonderful place to be. But as it sheds its garrison town image, it is finding it difficult to say what it wants to be in the future."

Foreign policy has been welcomed in Washington Page II

FINANCIAL TIMES SURVEY

ARGENTINA

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Few of the provinces have gained from recent growth Page IV



Buenos Aires: presidential guard at the Casa Rosada (left), the National Congress building (centre), stock exchange (right): the president's personal objectives have made the country's economic position more delicate Glyn Genin

Politics stands in the way of progress

The president's aim to change the constitution has meant legislative developments have been halted – something many fear puts recent impressive economic growth at risk, says Stephen Fidler

The pace of economic reform in Argentina has slowed. President Carlos Menem, apparently recovered from an operation to clear a serious arterial blockage he suffered last October, is pursuing his ambition to win re-election. For this he needs to change the country's constitution, and while he has set about doing that, the government's legislative agenda has been put largely on hold.

Most observers of the political scene agree there is a single motive behind Mr Menem's wish to change the 1853 constitution. Rosendo Fraga, a political commentator, argues: "The only reason for the reform is Menem's re-election." Mr Menem was elected in 1989 as the Peronist party candidate for a six-year term but the constitution forbids him standing for a consecutive second term.

With the president pursuing apparently personal objectives, events outside Argentina have made the country's economic position more delicate. The rise in US interest rates which started in February has slowed inflows of capital on which the country, because of a low savings rate, is dependent for growth.

The current account deficit has continued to widen, raising further doubts about the economy's ability to export at an exchange rate fixed against the dollar in 1991 as part of a successful bid to bring down inflation.

Foreign investors are also worried about disturbances in outlying provinces, many of which seem to have missed out on the rapid economic growth of the past three years, in particular last December's riots in Santiago del Estero. They see some risks in the constitutional reform process and in a more combative trade union movement which led to last week's march on Buenos Aires.

Despite this, Mr Menem's economic record and that of his economy minister, Domingo Cavallo, remain impressive. Taking power for a six-year term in 1989 amid hyperinflation, the president supported a radical economic reform programme which gathered pace after Mr Cavallo took office in 1991. A huge, corrupt and loss-making state sector was privatised, tariff barriers fell and the economy deregulated. Inflation dropped rapidly: 15 private economists polled by Consensus Economics expect, on average, 1994 inflation of 3.5 per cent.

Growth has been rapid too, helped by capital inflows in part spurred by a privatisation programme now drawing to an end. In the three years to 1993, the economy expanded by 25.5 per cent. The average forecast for this year is 4.6 per cent.

Although much has been done, some economists think there are risks in delays to legislation. Adalberto Rodriguez Giavarini, an economist from the opposition Radical Party, complains that important laws, including those to improve labour market flexibility and reform the social security system, are "dead or slipping" because of Mr Menem's struggle for re-election.

"Our institutions are not strong enough to enjoy this leisure time in the middle of a very tough adjustment programme ... It will be society that pays," he says.

Miguel Angel Broda, who heads an eponymous economic consultancy in Buenos Aires, agrees to some extent. "I don't think that in the next year they can advance the reform." However, he believes the government should not be criticised, having achieved 85 per cent of what it set out to do: slowing the reforms has increased the risks to Mr Menem's economic programme, but the odds still favour its survival.

Employers argue that the absence of labour reform makes them reluctant to take on workers, because it is so costly to fire them. Current social security laws also increase wage costs but – because most trade-union run social welfare funds are bankrupted – provide little in benefits to workers.

Mr Zsolt Agardy, president of Fiduc, a group of financial, manufacturing and service companies, says: "If they passed a labour reform, we would hire more people and be producing more efficiently."

The cost of labour and its lack of flexibility are perceived as two factors inhibiting the country's ability to compete internationally. Others include a dilapidated infrastructure and high interest rates.

The reason for high interest rates is in part huge inefficiency in the financial system. According to a report from the management consultancy, McKinsey, Argentine bank workers cost an average annual $31,000, compared with $36,000 in the US – but are only 19 per cent as productive as their US counterparts.

With companies restructuring – often in preparation for Mercosur, the southern cone common market expected to introduce a common external tariff at the start of next year – productivity is increasing.

Mr Cavallo says he is confident: "In the next three years, I've no doubt that Argentina is going to see a big increase in exports because of an increase in productivity."

Furthermore, the benefits of the federal government's large-scale deregulation – which he admits is yet to spread sufficiently to provincial governments – are only now beginning to be felt.

In the meantime, however, social pressures in Argentina are growing. Unemployment is rising – the government argues largely because of substantial growth in the workforce.

Growth has bypassed many industries and a large number of provinces. "There are provinces in which GDP has fallen 25 per cent in three years," says Mr Broda.

These broader concerns are reflected in changes in voter opinions, says pollster Manuel Mora y Araujo. Inflation, once the single dominant concern, has been replaced by a variety of issues, in which unemployment looms large. People are also worried about the quality of public services, such as health and education, and increasingly about their local environment.

Another preoccupation is government corruption, which Mr Menem is widely viewed as tolerating among those close to him. At the same time, there has been a loss in confidence in the two main political parties – which was reinforced when Mr Menem and Raul Alfonsin, the former president and leader of the Radical Party, cooked up an agreement in December over the constitutional revision.

These, says Mr Mora y Araujo, are the reasons why both Peronist and Radical parties fared relatively badly in the April elections for the assembly now debating the constitutional changes. By contrast, the Frente Grande, a loose coalition of left-wing parties, dissident Peronists and environmental groups led by a charismatic congressman Carlos Alvarez, did unexpectedly well, particularly in Buenos Aires.

While the April elections undoubtedly weakened Mr Menem's position, some observers reckon voters were merely registering a protest at aspects of the Menem government, but would support Mr Menem in a presidential election.

The fact is there appear to be few serious challengers to Mr Menem on the horizon. His popularity, while it has declined from its peak, still exceeds by several times that of any other rival, though if opposition did coalesce around one candidate the gap would be substantially narrowed.

In the presidential elections which he says will be held between April and June next year, Mr Menem is still odds-on for a second presidential term.

On the face of it, this offers continuity. Mr Menem's critics charge, however, that the costs of his pursuit of re-election show his readiness to put personal objectives before national interest.

Either way, his country faces many fundamental challenges before the end of the century. It must further improve its international competitiveness; restructure a bureaucracy that is still mostly inefficient and corrupt; improve the capacity of the state to deliver public goods – in particular education and justice – and address the growing marginalisation of a majority of provinces.

It is not clear that a vision on how to resolve these issues exists in Mr Menem's mind or within the government – with the exception of a few people mainly in the economy ministry.

Argentina's continued economic recovery remains, therefore, unhealthily dependent on a few individuals.

John Barham finds that there has been no great burst of energy in the private sector

Investors still showing reluctance

With the privatisation of state companies and abolition of nearly all the government's interventionist mechanisms, Argentina's private sector has become the engine for growth.

But it is far from clear whether private industry is in any shape to lead the economy. Companies are still in a state of flux. Although it is five years since President Carlos Menem began his free market reforms, there has been no great burst of entrepreneurial energy, no investment boom, no management revolution, no aggressive pursuit of exports.

Instead, companies are concentrating on less ambitious incremental investments, often aimed at unstoping bottlenecks. "Everyone is investing something, but it is very selective. Everyone is making small, selective investments," says Bernardo Kosacoff of the UN's Economic Commission for Latin America.

And there is still considerable room for turning round existing companies without launching major new investments. Ted Truscott, principal of US fund managers Scudder, Stevens & Clark, notes that US, European and Latin American companies are buying up local competitors in increasing numbers, using their management, technology and marketing skills and capital strength to revive badly-run Argentine companies.

Corimon, a Venezuelan paint company, for example, last year took over Colorin, a smaller Argentine competitor. "Two years ago Colorin had no working capital and its sales were falling," Mr Truscott says. Now, under Corimon's management, "Colorin is beginning to grow. It is going to take on [market leader] Alba. I think there are going to be a lot of other companies like this".

Procter & Gamble, Philip Morris, RJR Nabisco, all of the US and Britain's Cadbury Schweppes and Unilever have bought companies in Argentina recently.

Local groups are also on the prowl. Buenos Aires-based FiduCorp has built up a portfolio of companies, rebuilding them with infusions of capital and tough management. "Companies are really forced to do their homework, control costs and find places to cut. Companies [either] go bust or show muscle," Zsolt Argady, FiduCorp's president, says

Many industries – from cars to steel to food processing – have achieved impressive productivity gains through improved management and strong sales growth. Autolatina, the joint venture linking Ford and Volkswagen in Argentina and Brazil, has tripled output per employee since 1991.

However, Agustin Castano, head of the Buenos Aires office of US management consultants Booz Allen & Hamilton, says the process of increasing productivity through tighter management is reaching its limits. "Some sectors have reached full capacity and will have to begin investing," he says.

Yet he sees few examples of new greenfield projects. Most investment is going to sectors that are sheltered from import competition, such as services, privatised utilities or construction. Investment in industrial projects is also being angled to the few remaining protected sectors such as cars or those focused on the domestic market, such as breweries.

Argentine companies need a far-reaching change in management culture

However, Mr Castano says that more than big investments, Argentine companies need a far-reaching change in management culture. "It is one thing to change structures and it is another thing to change behaviour. Some [managers] are absolutely unadaptable. At the same time you have an emerging group of managers reaching top management positions," he says. Still, Mr Castano can think of few companies that have embarked on management revolutions. "Unfortunately you can find only pockets of best practice management."

Neither are companies falling over themselves to raise new capital. Argentine companies are undergeared by international standards. The economy ministry estimated Argentine companies' liabilities at only $27bn in 1992, compared with assets of $473bn. Argentina has only 161 listed companies. In theory, therefore, they have plenty of room to raise fresh capital.

Although there are no data on the corporate sector's profitability, many companies are foundering in the wake of liberalisation and elimination of trade barriers. Miguel Angel Broda, a business consultant, says 17 out of 54 sectors have seen output fall over the past three years.

Mr Truscott says a long history of under-investment is compromising the viability of many sectors, especially in manufacturing industry. Perhaps most at risk is the capital goods industry, which is under severe pressure from competing Brazilian intermediate technology products. Alpha, a Buenos Aires consultancy, says capital goods imports are climbing every month, while local production has almost halved since 1993. It reckons capital goods imports should rise 39 per cent to $5.7bn this year.

In spite of the impressive gains of recent years, Argentina still ranks low in the international productivity stakes. Wages are high – the average Argentine industrial worker earns $883 but is less productive than a Brazilian worker. As a result, few manufacturing companies are able to export profitably let alone resist sustained attack by foreign competitors.

Argentina has few world-class companies. Most analysts mention Siderca, a steel tube company owned by industrial conglomerate Techint, as an outstanding company. However it is a chronic loss-maker, mainly because of the depressed oil drilling market.

Perez Companc, another industrial conglomerate, is frequently praised for its professional management and its decision to focus on energy and privatised services. YPF, the privatised oil company, is widely admired for its combination of sound management and aggressive expansion strategy. Footwear and clothing company Alpargatas has also attracted attention for its young and highly intelligent management team.

Most analysts say that companies with best future prospects are those in small, technology-based niches where they are able to harness Argentina's relatively skilled workforce. Argentine workers tend to be better educated than others in the region and therefore can be quickly trained to use sophisticated equipment.

Companies operating in the food, energy, and mining industries – where Argentina has undisputed advantages – are also widely considered to have a bright future.

The car industry, the only one to retain substantial import protection and export incentives, is also likely to see considerable growth. Alpha says car companies have a 24 per cent profit margin. However, their long-term prospects are uncertain, since the government says it will abolish import protection in 2000.

Argentina has never before built an internationally competitive industrial base. Its long history of unpredictable upheavals and shifts in government policy have made entrepreneurs wary of investing. Jorge Mostany, president of Autolatina's Argentine arm, worries that Argentina cannot compete on cost with China or India. But neither is it sufficiently sophisticated to challenge Japan, Germany or the US.

Economic data 1986-1993

	1986	1988	1989	1990	1991	1992	1993
GDP ($m)	108,539	126,484	82,602	141,463	189,569	228,576	257,313
GDP (per capita)	3,540	4,071	2,624	4,434	5,815	6,915	7,677
Consumer prices (% change over previous period)	131.3	343	3,079.5	2,314	171.7	24.9	10.6
Wholesale prices (% change over previous period)	122.9	412.5	3,432.6	1,606.5	110.5	6	1.6
Trade ($m)							
Exports	6,360	9,135	9,579	12,353	11,978	12,235	13,117
Imports	5,818	5,322	4,200	4,079	8,276	14,871	16,784
Balance	542	3,818	5,379	8,274	3,702	-2,637	-3,666
Real growth rates (% change over previous period)							
GDP	2.6	-1.9	-6.2	0.1	8.9	8.7	6
Consumption	1.4	-4.6	-4.1	-0.4	12.6	11.4	5.1
Net investment	14.8	-2	-24.4	-9.9	25.1	30.9	13.7
Proportion of GDP							
Consumption	80.1	78	78	80.3	83.8	84.8	83.5
Net investment	19.6	18.6	15.5	14	14.6	16.7	18.4
Exports	7.9	9.5	13.1	10.4	7.7	6.6	6.3
Imports	7.6	6.2	6.6	4.6	6.1	8.1	8.2

Source: Estudio Broda

Plans for Mercosur are well advanced

Nafta option shelved

The government of President Carlos Menem has carefully cultivated its image as a responsible member of the new world order, ostentatiously rejecting its former radical non-aligned foreign policy.

However, Mr Menem cannot always be guaranteed not to put his foot in it. His personal endorsement of Mexican president Carlos Salinas to head the nascent World Trade Organisation at the Cartagena summit of Latin American leaders in June had to be retracted by embarrassed Argentine diplomats. Argentina had previously pledged support to a Brazilian candidate.

Neither was Mr Menem's suggestion that former British prime minister Margaret Thatcher should be extradited for war crimes likely to speed the visit he says he wants to London.

Mr Menem often repeats his prediction that the Falkland Islands – over which the UK and Argentina fought a brief war in 1982 – will be Argentine by the year 2000. And his foreign minister, Guido di Tella says: "I think he may be wrong; the islands will be Argentine in 1997."

At present, both countries agree to disagree over the islands' sovereignty. Meanwhile, talks move ahead over fishing – a longer-term agreement is being discussed to replace the current one-year accord – and oil in the Falklands waters. "If they want to explore for oil, we think we can block them," said Mr di Tella.

He said the region should become a "special area with a special [oil] regime", a subject that would be discussed, he said, in talks on oil this month.

Twelve years after the Falklands war, relations with London are on a reasonable footing. More importantly, Argentina's new foreign policy – reflected, for example, in its ratification of nuclear non-proliferation treaties and its participation in United Nations forces in Cyprus, Bosnia and the Gulf – has been enthusiastically welcomed in Washington.

Mr di Tella, gets annoyed with those who sneer at the country's close relations with the US. He argues that foreign policy, with a 59 per cent approval rating is – along with economic policy – among the highest approved of government policies. Disapproval of the so-called "carnal relationship" with Washington is the preserve of a discredited intelligentsia, he says.

Good relations with the US have yielded benefits. They aided the government in its negotiations over a bank debt restructuring and encouraged flows of investment from the US.

Yet, there appears no longer to be an expectation of a rapid move towards free trade with the US. The idea that Argentina could gain quick accession to the North American Free Trade Agreement (Nafta) always seemed unlikely given the US political calendar.

Now, says Jorge Campbell, secretary for international economic relations at the foreign ministry, the emphasis is on cementing and deepening the southern cone free trade zone with Brazil, Paraguay and Uruguay, known as Mercosur.

"We put out some feelers about Nafta – whether we would qualify, whether it would be expended or not – and after a few months concluded that we'd rather stick to Mercosur with the semi-incorporation of Chile and Bolivia," says Mr di Tella.

"Our evaluation was that Nafta was like a seal of quality for investors to invest in Argentina. Trade-wise it was never very important, even detrimental."

Furthermore, standards required for Argentina to qualify would not be easy, and would to some extent conflict with Mercosur. "Maybe we will try in two-to-three years. 1997 would be a good date," he said. Then Brazil's economic trajectory would be clearer and the attitude of the new president taking office in January towards economic reform would be known.

While Argentina would have had little trouble meeting labour standards associated with Nafta, the US would require a patents law to a standard higher than that envisaged by the Uruguay Round.

Continued on page 3

The financial sector is facing heavier borrowing costs and a rise in non-performing loans

Growth shelters an inefficient system

Bankers are not popular anywhere. In Argentina, as in most other countries, they are accused of a multitude of sins – gouging, resisting change, inefficiency and harbouring an anti-industry bias.

President Carlos Menem vented his frustration in a speech to bankers in June, saying: "Deregulation of the financial system was not done for banks to make more money, but for money to cost less." He warned that "business cannot survive without reasonable financial costs and its fall sooner or later will drag the banks down".

However, Argentina's financial system is maturing. Interest rates are falling, deposits are growing, lending is expanding and maturities are stretching out. The capital markets, too, are slowly developing in breadth and sophistication. The question is whether the pace of change is sufficient and whether the system can withstand the stresses of change.

For now, banks are making easy money from Argentina's rapid growth and access to international financial circuits. Banco Galicia, Argentina's largest quoted bank, earned an estimated net profit of $57.1m last year on assets of $2.76bn. Banco Frances, the second-largest listed bank, earned $53m in the same period, returning a strong 4 per cent on assets.

Banks raise money on international financial markets and re-lend it in Argentina at substantial spreads. Until recently banks could fund at 8 per cent but charged retail customers and small companies 15-25 per cent interest in dollar terms.

But borrowing costs increased sharply after the US Federal Reserve began raising interest rates on February 4. Banco del Sud, a regional bank, borrowed $50m early in February at 8.125 per cent. When it returned for more in June, it had to pay two percentage points more for a similar $50m bond issue.

Still, analysts reckon banks will go on making good profits for some time to come.

There is a danger that banks' assets and liabilities are becoming mismatched. They have borrowed in hard currency but onlent it mainly to borrowers with peso revenues. The financial system has liabilities of $68.8bn, of which $36.1bn is in foreign currency. And liabilities are normally of 3-5 years but banks' peso assets are beginning to stretch out for much longer.

Bad loans are increasing fast. Non-performing loans at Banco Frances have risen to 6.0 per cent of total net loans this year from 3.6 per cent last year.

But bankers are optimistic. Eduardo Escasany, president of Banco Galicia and head of the national bank association ADEBA, says expansion is by no means exhausted. He points out that although money supply has quadrupled since the launch of the convertibility plan in April 1991, it is still equivalent to only 22 per cent of GDP.

The financial system's deposits have grown impressively – to $41.04bn in May from $8.44bn in April 1991. Spreads have also come down: Banco Galicia's average margin dropped to 13 percentage points in 1993 from 17 in 1992 from 32 in 1991.

However, Mr Escasany says banks are stuck with high operating costs and hold large amounts of cash at branches and cope with frequent armed robberies because Argentines still insist on using cash – a habit born of inflation, tax evasion and fear of bouncing cheques.

He also complains that banks must pay the bank workers union 2 per cent of revenues to fund social and health services. Analysts would add that banks are still burdened by bureaucracy, overstaffing and unimaginative, unskilled managers.

Another distortion is the presence of even more inefficient public banks. Half the country's banking industry is publicly-owned. Argentina lacks an integrated national banking network. Provincially-owned banks or small co-operative banks dominate lending in the interior. As a result, companies outside major cities pay higher interest rates.

Strong growth has masked these inefficiencies and prevented a banking crisis, a frequent by-product of past economic stabilisation programmes. But what will happen when growth falters?

Although analysts say bank profits would naturally be damaged by a slowdown, they doubt the system's solvency would be affected seriously because the largest banks are strongly capitalised.

Change is also slow in coming to the narrowly-based and highly speculative capital markets. Derivatives and securitisation are still in their infancy.

Still, the flood of foreign money into the stock market has brought greater professionalism and a longer view on investment. By one estimate, foreign investors now hold 60 per cent of the Buenos Aires Exchange's float, worth about $6.5bn.

But the market is still held back by a lack of liquidity – turnover rarely exceeds $30m a day – caused in part by a shortage of paper. Private companies, invariably family-owned firms, are unwilling to sell equity for fear of losing control.

Although the number of listed companies has declined to 161 from 171 in 1992, bankers are confident that companies will be driven to raise equity capital as they exhaust traditional sources of finance – debt and retained earnings.

Perhaps this year's greatest disappointment is the chaos surrounding the introduction of a private pension fund system which economy minister Domingo Cavallo hoped would channel $3bn a year into capital markets. However, disorganisation, frequent rule changes and the suspicion of contributors is turning an important reform into a fiasco.

John Barham

Privatised companies are losing popularity, writes **Stephen Fidler**

The honeymoon is over

Argentina's far-reaching privatisation programme is not popular with everybody. "Public telephones are not working. You [illegible] a dual [illegible] so you need two types of phone-cards. Phones are being provided faster but we are paying outrageous rates that I think are the highest in the world," complains Atilio Boron, director of the Centre for European-Latin American Research in Buenos Aires.

He thinks dissatisfaction with privatised companies is already rebounding on to the government and its market-oriented economic reforms. "My feeling is that the honeymoon is over because the model is not delivering the goods."

Given the state of the telephone system and other public services before privatisation, some may think the inconvenience of buying two phone cards is not too much to bear. Many feel the collapse of the public services before privatisation took a lot of the heat out of the arguments over privatisation.

Argentines suffered six months of daily power cuts in 1989. "The electrical crisis provided a dose of reality in the ideological debate," says Gustavo Petracchi, president of the electricity distribution company Edesur. And the government, which was pouring more than $2bn a year in subsidies into the nationalised companies during the 1980s, has so far no regrets.

According to a just-published study on Latin American productivity by the management consultants, McKinsey, overall productivity in the Argentine telecommunications industry had shown a great improvement after the 1990 privatisation, even by 1992.

But at 55 per cent of US levels, total factor productivity was the lowest of the five Latin countries it surveyed. This, it says, is due to "a chaotic situation" which previously prevailed, but agrees that [illegible] phone charges in Argentina are "very high".

Faustino Rivero, chairman of Telefonica de Argentina, one of the two companies about which Mr Boron complains, says his company has put in 700,000 lines in [illegible] years, an increase of 40 per cent since it took over. Not only that, the company – whose region cost the state $400m in subsidies in 1990 – is paying taxes.

Efficiency increases have been significant elsewhere: deregulation in the oil and gas sector and privatisation of the former oil monopoly YPF has helped the country's oil production [illegible] rise from [illegible] barrels per day in [illegible] to 650,000 bpd now.

Jose Estenssoro, president and chief executive, says YPF alone increased oil output from 289,000 bpd in 1992 to 326,000 bpd last year. "We are trying [illegible] reach 450,000-500,000 bpd of oil by the end of next year and probably another 200,000 in oil equivalent of gas." He says the company's [illegible] – [illegible] strong in 1990 – will have been slimmed down to about 6,000 by the end of this year.

> **The transition to privatisation has not been easy, not least for many of the foreign utilities that are operating the privatised companies**

But the transition to privatisation has not been easy, not least for many of the foreign utilities that are operating the privatised companies.

Metrogas, the gas company covering metropolitan Buenos Aires in which British Gas has an important stake, was plagued [illegible] with [illegible] gas companies with problems of low pressure last year, the first year of privatisation.

Transportation capacity was inadequate [illegible] demand last winter. This winter, says Rob Verrion, general manager of [illegible] the company has expanded capacity – and will expand it further – and the complaints about low pressure have fallen.

This was not the only problem. The standard of local contractors [illegible] to be desired. As well as encouraging some local contractors to improve working [illegible] new contractors are moving in from abroad, including a subsidiary of the UK construction group Amec, an important contractor for British Gas.

Dissatisfied with their invoicing contractor, Metrogas [illegible] entire [illegible] from one system to another overnight "in what can be best described as a commando operation".

Without a good database it was impossible to put together effective credit controls – particularly important in a country with "a history of not paying invoices for public services", says Mr Verrion. "It's not everybody and it's not necessarily the [illegible] people," he adds.

Stealing gas is [illegible] faced by the gas companies, but for the electricity companies, the problem of fraud was worse. Gustavo Petracchi, president of the distribution company, Edesur in which Chilean investors have an important stake, [illegible] that, [illegible] over, 26 per cent of the company's electricity was being stolen.

"The losses of energy through fraud in greater Buenos Aires alone could provide power for the city of Cordoba – which has 1m people," he says.

Fraud from Edesur has now been cut back to below 20 per cent, and by [illegible] end [illegible] year should be 17 per cent. Mr Petracchi complains that the problem could have been [illegible] led earlier if it had not been [illegible] political intervention by [illegible] province [illegible] Buenos Aires in early 1993.

Since May, an agreement has been in place to allow the issue to be confronted. But at least Mr Petracchi avoided the difficulties of its neighbouring distributor. In [illegible] year, a judge ordered [illegible] arrest of Angel Zapalorto, a manager at Edenor, after he cut off power to slums to stop illegal tapping into the electricity network. Mr Zapalorto spent 72 hours in jail [illegible] being released.

The companies also suffered from internal fraud. Mr Petracchi said [illegible] "riddled with corruption both open and hidden, and not only [illegible] the purchasing department". Morale was low and still has [illegible] recovered, while the number on the payroll has dropped [illegible] to 4,500. Workers laid off have received pay-offs averaging $30,000.

Both gas and electricity companies [illegible] also received fines from their regulators. The companies have been unhappy about this, since they believe that allowances should be made for the dilapidation of the systems before they took over. "We have a late 20th century regulatory model imposed on a gas system built in the early to middle part of the century," [illegible] Mr Verrion [illegible] Metrogas.

As the World Bank notes in [illegible] World Development Report: "Although privatisation has occurred rapidly, [illegible] capacity for regulatory oversight has lagged." Yet now that [illegible] regulators [illegible] their teeth, there remain concerns, even among impartial observers, that the regulatory bodies are excessively political.

A broader common market

Continued from page [illegible]

Argentina's 10 per cent statistics tax on imports and the protectionist car industry regime would also be obstacles – though these are scheduled for elimination in due [illegible]

The threat of US sanctions over the country's archaic patents law appeared to be averted earlier this month when the Buenos Aires government promised special efforts to get a new law through Congress. US trade sanctions were anyway not likely, given the $3bn US trade surplus with Argentina and the estimated $5m-$6m in extra royalties implied by a new patents law.

Argentine officials insist that the patents law is essential. "Our patent laws are 120 years old. They are obsolete and insufficient, [unless] you adopt the view that we are geniuses and generate ideas all the time that are being robbed by the imperialists. If you want to be innovative, you need a patent law," says Mr di Tella.

Mercosur is not without its political difficulties, [illegible] – given the uncertainty about the next administration in Brazil – its future is unclear. But the four governments have moved a long way towards forming a customs union – a common external tariff has been agreed for 85 per cent of goods. Bolivia and Chile are also possible associate members, suggesting the accord could be a stepping stone to a broader South American common market. Still, whatever governments do – unless they take a sharp return towards protectionism – a de facto economic integration is moving ahead at a corporate level.

Quinsa – the largest Argentine brewer – is one of hundreds of companies pursuing a regional strategy. It has plants in Paraguay and Uruguay. Its new brewery in Chile, it says, achieved an 18 per cent market share by the end of last year. It is also looking at possible acquisitions in Brazil, as the Brazilian beer giant, Brahma, starts to attack its own home market in Argentina.

Carlos Sant'Anna of the Argentine subsidiary of the big Brazilian food company Sadia says his company has embarked on a regional expansion strategy that will lead at least, to its building a plant in Argentina. It aims, he said, to develop the market that runs in an arc from Rio de Janeiro through Sao Paulo, Montevideo, Buenos Aires and Santiago, which contains 65 per cent of South American GDP.

Stephen Fidler

INFRASTRUCTURE

Heavy spend ahead

Argentina's once all-embracing public sector has vanished, leaving in its place newly-privatised companies to manage the country's energy supplies, telecommunications systems and transport infrastructure.

These companies are now spending heavily to rebuild infrastructure collapsing after decades of neglect. Telefonica de Argentina, which provides telephone services in the south of the country, alone invested $925.3m last year. Signs of activity are everywhere: Buenos Aires has become an obstacle course as the new gas, telephone and water companies dig up its streets.

Like most utilities, Metrogas, the Buenos Aires gas company operated by British Gas, is financing its investment programme from cashflow and debt. It has prepared a $300-350m five-year debt programme.

The utilities are young companies, so their debt burden is still reasonably light: Telefonica's long term liabilities may have risen by half to $348.2m last year but they still represented just under 10 per cent of its balance sheet.

Most state companies were privatised with guaranteed dollar-linked [illegible] pitched high enough to generate ample revenues – as their clients now realise only too well. But the day will come when companies and investment banks must find private backing for new infrastructure projects, such as roads and power stations, which provide low returns and long maturities.

> **There is always the risk that companies will fail to meet investors' expectations**

Bankers are unclear how this can be done. Until February, when the US Federal Reserve increased dollar interest rates, companies could raise finance reasonably cheaply overseas. Now, the outlook is less certain. In June, the government had to drop a planned $150m IPO of its remaining 25 per cent stake in TGN, a privatised gas pipeline company, because of insufficient demand.

However, investment bankers in Buenos Aires are confident that capital markets will still support infrastructure projects. For instance, just as the government postponed its flotation of TGN, Paribas was able to organise the flotation of 45 per cent of power generator Capex, raising $163.6m. Capex is not only a brand-new private gas-fired generator but it has still only built one-third of its planned capacity. Paribas adds that it was able to sell Capex stock at the upper end of the price range – shares were oversubscribed three times – thanks to heavy demand from specialist investment funds in the US and UK.

A few weeks later, a consortium of five Argentine energy companies and Tenneco [illegible] of the US announced they would start building a $600m gas pipeline to Chile next year. The US government's Overseas Private Investment Corporation will lend $200m and provide $200m in insurance for the project. Banks and equipment suppliers will provide additional backing. British Gas and two Chilean utilities are to handle the distribution of natural gas in Chile.

There is always the risk that companies will fail to meet investors' expectations. Neither of Buenos Aires' two electricity distributors have ever made money. They blame theft from widespread illegal connections.

Already at least two loss-making privatised companies, one of them the flag carrier Aerolineas Argentinas, have had to go back to the government to renegotiate their contract terms.

Spain's state-owned carrier now owns 85 per cent of Aerolineas, and is trying to sell at least 25 per cent of the loss-making airline in a private placement. Techint, an industrial conglomerate, has asked the government to lower mandatory investment in its Trans-Pampa freight railway. The railway has not performed as expected, due in part Techint says, to heavy flooding in the Pampas.

John Barham

The [illegible] constitution

The main item on the constituent assembly's agenda is the removal of the 1853 constitution's ban on *successive presidential terms* to allow President Carlos *Menem to stand for* re-election next year.

If all goes according to plan, the new constitution will allow re-election of the president to a second, four-year term. At present, the *president serves for a single* six-year term. If Mr Menem wins the 1995 *presidential* elections, he will govern Argentina up *to the end of* 1999, when he will be 69. He would not be allowed to run for a third term.

As well as this, a number of other items are up for debate.

- The indirect electoral college election system will be *abandoned and replaced* with a two-round direct election. *If the winner gets more than* 45 per cent of votes there need be no second round election.

Equally, [illegible] the winning candidate gets 40 per cent [illegible] the vote but leads the second candidate by 10 percentage points, there need be no sec*ond round. These elaborate* rules were drafted bearing in mind the Peronist party's traditional 40-45 per cent share of the vote.

- A cabinet chief, a sort of prime minister, will become responsible for "general administration of the coun*try" exercising powers "dele*gated by the president". The cabinet chief can be removed by both houses of Congress with a simple majority vote. The opposition Radicals hope this will reduce the presi*dent's powers, but Mr* Menem has already said he will not cede full presidential powers.
- The 48-member Senate will be increased by half. The extra 24 seats will be allocated to the opposition parties in each of the 23 prov*inces and the federal district* of Buenos Aires.
- The executive's legislative powers, principally the right to issue emergency decrees, will be restricted. The president will be forbidden from decreeing on tax, criminal law or electoral issues. However, the role of Congress in *ratifying or rejecting* presidential decrees is not clear.
- A *council of jurists will* [illegible] judges and oversee management of the judiciary. [illegible] present, judges are selected by the executive and approved by the Senate. The Supreme Court is responsible *for the management* of the judiciary.

This amendment is meant [illegible] strengthen the independence of [illegible] courts, since [illegible] are often appointed [illegible] political [illegible]. However, the [illegible] governing the council will [illegible] written [illegible] the Peronist-dominated Congress.

- The head of the National Audit Bureau will be nomi*nated by the opposition and* be subordinated to Congress. At present [illegible] *toothless* Audit Bureau is part of the executive.
- The mayor of Buenos Aires will be elected. At present the president appoints the [illegible]. The [illegible] district of Buenos Aires is [illegible] traditional Radical stronghold, *and this was intended to* benefit the Radicals. However, *they have* [illegible] the [illegible] two [illegible] in the city [illegible] would [illegible] so again if the elections were held today.
- The share [illegible] financial [illegible] between [illegible] federal and provincial govern*ments is* [illegible] *made more* equitable. The tax shareout [illegible] present [illegible] to a number of complex rules that gives the provinces 56 per cent of [illegible] federal [illegible], such as [illegible] added [illegible] revenues. The provincial governments demand [illegible] be given half [illegible] all [illegible] raised by the federal government.

In addition [illegible] these [illegible] there are other clauses introducing referenda, granting independence to federal *prosecutors (currently con*trolled by the government), protecting the environment and entrenching competition policy and consumer rights in the constitution.

Mr Menem's chances of re-election look strong, says **John Barham**

No guarantee of stability

Last year President Carlos Menem's chances of fulfilling his over-arching ambition of removing the constitution's ban [illegible] successive presidential terms and standing for re-election to a second term looked remote.

Now, the constitution is being changed and already Mr Menem looks unbeatable in the 1995 elections.

Mr Menem achieved this by enlisting the *opposition* Radical party – which had used its *blocking minority of 84 seats in* the lower house of Congress to prevent reform – [illegible] allies in amending the US-style 1853 constitution.

In [illegible] deal last December with his old rival Raul Alfonsin, the Radical leader and former president, Mr Menem agreed to a *constitutional reform form*ula that strengthens the judiciary and legislature and introduces a semi-parliamentary form of government in exchange for being allowed to stand for a second term.

[illegible] Argentines are treating the reform process with considerable cynicism. [illegible] Fraga, a political commentator, says: "*None of these reforms* are essential. The only reason *for reform is Menem's re-elec*tion. The other [illegible] only [illegible] justify [illegible]."

But optimists, especially [illegible] in [illegible] world, [illegible] second [illegible] term [illegible] further extend the horizon of political stability, allowing his free market reforms to consolidate themselves. Mr Menem *has stated repeatedly that he* will reappoint Domingo Cavallo as his economy minister.

A second term for Mr Menem creates as *many* doubts as it does certainties

However, many foreign executives would have preferred a Chilean-style [illegible] in which [illegible] *of eco*nomic policy [illegible] remained unchanged, [illegible] spite of [illegible] changes of government.

The core of the new constitution is contained in a Congressional resolution passed last December with a *two-thirds* majority with unanimous back*ing from Mr Menem's Peronist* party and the Radicals. The resolution's text was drafted in secret by Radical and Peronist negotiators. The two sides agreed that an assembly elected in April to rewrite the constitution *must* accept [illegible] reject this reform package without any modification.

In addition to the reforms already agreed by the two parties, Congress has allowed the assembly to introduce addi*tional changes such as introdu*cing referenda or entrenching consumer rights in the constitution.

Pollsters [illegible] that although the public [illegible] little interest in the constitutional [illegible] process, it [illegible] content to allow [illegible] successful government *to continue in office for* a second term.

However, a [illegible] term for Mr Menem [illegible] many doubts [illegible] it [illegible]. There [illegible] those [illegible] believe he will [illegible] little [illegible] strengthen Argentina's [illegible] democratic institutions: no other president in Argentina's history has [illegible] – [illegible] in [illegible] – [illegible] much [illegible] Mr [illegible] has. *The* [illegible] *constitution* [illegible] congressional ratification [illegible] presidential decrees. It does not say whether Congress [illegible] overturn decrees.

[illegible] economic reforms [illegible] the [illegible] of [illegible] political popularity. But Manuel Mora y Araujo, [illegible] *pollster,* [illegible] *Mr* [illegible] may [illegible] making [illegible] mistake by believing that [illegible] stability and growth [illegible] sufficient to satisfy [illegible]. [illegible] "People [illegible] other things. People have [illegible] priorities. [illegible] dominating [illegible] today are unemployment, [illegible]*ruption, education, health.*"

However, [illegible] politicians [illegible] responding [illegible]. The [illegible] been discredited by Mr Alfonsin's [illegible] government [illegible] alliance with Mr [illegible]. [illegible] y Araujo [illegible] a deepening contempt [illegible] *conventional politics and poli*ticians.

These factors, plus [illegible] strong anti-corruption [illegible], account for [illegible] of [illegible] Grande, [illegible] coalition of [illegible] wing parties, dissi*dent Peronists* [illegible] *environ*mental groups. The [illegible] is led by Carlos Alvarez, a charismatic Congressman. He says: "Our view is that [illegible] officials are part of a corrupt system and Menem allows and gener[illegible] and [illegible] *corrup*tion".

[illegible] Frente carried the federal district [illegible] Buenos Aires during the April 10 elections for delegates to the constituent assembly and took 14 [illegible] cent [illegible] the national vote, finishing third [illegible] Radicals.

Mr Menem's poor health [illegible] made the post of vice-president a desirable political prize

Still, [illegible] analysts [illegible] Mr Alvarez [illegible] re-election. A diplomat commented [illegible] *more akin to a by-election in* which voters registered discontent. [illegible] in [illegible] presidential election they would probably cast their vote for Mr Menem.

There are those [illegible] wonder how Mr Menem would [illegible] to *an economic downturn. Many* fear his latent populist tenden[illegible] would come to [illegible] surface. A [illegible] minister [illegible] he worries about Mr [illegible] "authoritarian tendencies".

Mr Menem [illegible] given to [illegible] critics with incendiary statements. He has [illegible]pared the opposition press to terrorists and bomb throwers. *He* [illegible] *said human rights cam*paigners are "attempting [illegible] *undermine* [illegible] *foundation of* the institutions, including the armed forces. We will never again tolerate subversion *in* our country".

[illegible] is Mr Menem, in spite [illegible] his protestations, in the [illegible] of health. [illegible] October he [illegible] surgery [illegible] a blockage in *the* [illegible] *artery which* [illegible]ries [illegible] to [illegible] brain. Mr Menem came dangerously close to an incapacitating [illegible]. It also emerged that he [illegible] from diabetes.

His deteriorating health has made the once [illegible] post of vice-president a desirable [illegible] prize, with [illegible]eral Peronists discreetly pressing their claims. However, Mr Menem [illegible] said his running mate will be Eduardo Duhalde, his vice-president until his election as [illegible] Buenos Aires.

If Mr Menem [illegible] to disappear [illegible] the scene, [illegible] could change course abruptly. Mr Duhalde is [illegible] consummate machine politician with little attachment to Mr Cavallo's economic [illegible]. Mr Cavallo's tight control [illegible] spending and unpredictable outbursts of fury have [illegible] him deeply unpopular in the government. In May he *stormed out* [illegible] meeting shrieking that [illegible] ministers were conspiring against him.

Argentina's weak political institutions, further [illegible] by [illegible] reform [illegible] and [illegible] history [illegible] violent, unpredictable upheaval *mean that Mr* [illegible] *re-elec*[illegible] does not guarantee that stability [illegible] continue.

THE PROVINCES

Prosperity is dwindling

Few of Argentina's [illegible] provinces have [illegible] years of vigor[illegible] *growth. The backward* northern region, bordering [illegible] Paraguay [illegible] traditional [illegible]mies, [illegible] on [illegible] and tobacco, [illegible].

To [illegible] south, vast but sparsely populated Patagonia [illegible] seeing its population dwin[illegible] *as* [illegible] *oil industry* [illegible] jobs, as [illegible] and central government subsi[illegible] cut [illegible].

Even on [illegible] Pampas, Argentina's agricultural heartland, times [illegible] hard. Agronomists [illegible] only [illegible] five farms in [illegible] province [illegible]nos Aires [illegible] economically viable. [illegible] Fe, once [illegible] Argentina's [illegible] vigorous industrial provinces, has [illegible] a [illegible] bowl [illegible] industry and rising unemployment where labour [illegible] rising.

Only a [illegible] parts [illegible] country are prospering. The [illegible] belt *surrounding* Buenos Aires concentrates one-third of Argentina's population and much of its industry. Cordoba [illegible] the car industry. [illegible] to the west [illegible] trend of weak *regional economies. It has* sound government, [illegible] relatively [illegible] industry and has [illegible] a focus [illegible] from neighbouring Chile.

[illegible] government is aware [illegible] the dangers of allowing large regions to fall behind the few prosperous provinces

However, none [illegible] has emulated economy [illegible] *Domingo Cavallo's* sweeping [illegible] *public* [illegible]. Their aggregate budget [illegible] reach $2bn-3bn this [illegible] – about 1 [illegible] of GDP and [illegible] than five [illegible] larger than expected [illegible] beginning [illegible] the year.

Unreconstructed public sec[illegible] *local industry's* operating [illegible] by burdening it [illegible] high [illegible] and expensive but [illegible] infrastructure [illegible] utilities, making it hard to [illegible] jobs [illegible] investment.

The government [illegible] keenly aware [illegible] the dangers of [illegible]ing large regions [illegible] coun*try to* [illegible] few [illegible] provinces. Already, the overcrowded slums surrounding Buenos Aires [illegible] swelling with migrants [illegible] the interior.

[illegible] December, [illegible] the northern city of [illegible] del Estero for [illegible] day, looting [illegible] burning [illegible]. It was Argentina's worst out[illegible] *of* [illegible] hyper-inflation [illegible] earlier. Public employees demanding unpaid [illegible] led the rioting. Unrest [illegible] simmer, with public employees protesting almost weekly in [illegible] throughout the interior.

Comparisons [illegible] the new year's day guerrilla uprising in [illegible] Chiapas are far-fetched, but [illegible] failure [illegible] deal adequately with *the provinces' troubles* [illegible] emerging [illegible] one of his [illegible] *shortcomings.*

On the one hand [illegible] Menem needs [illegible] powerful provincial governors' backing [illegible] his [illegible] campaign. Yet [illegible] the [illegible] Mr Cavallo [illegible] demanding deeply resented public [illegible]. Unsurprisingly, Mr [illegible] reforms are [illegible].

The [illegible] – led by mem[illegible] *of Mr Menem's own* Peronist party – are demand[illegible] that [illegible] assembly [illegible] rewriting the country's constitution should insert a [illegible] ordering [illegible] government [illegible] hand [illegible] half national [illegible] provinces. The federal government [illegible] budgeted [illegible] revenues [illegible] $47.46bn for 1994, $16.09bn of which [illegible] must transfer *by* [illegible] *the prov*inces.

Giving [illegible] would open [illegible] door to an avalanche [illegible] demands [illegible] more concessions.

In June, Mr Menem bluntly [illegible] to "be quiet and try [illegible] reforming the constitution, and not introduce destabilising [illegible]ments". [illegible] *attacked them for* "demagogic, absurd populism".

Meanwhile, [illegible] Cavallo and [illegible] Zapata, [illegible] secretary overseeing provincial reform, are struggling on as they [illegible]. Even Mr Zapata [illegible] *he* [illegible] *facing an uphill* struggle. He [illegible] need [illegible] *gradual policy.* [illegible] pushing through some policies [illegible] reform [illegible] provincial public sector, but until [illegible] private [illegible] [shows] strong [illegible] *[for labour],* [illegible] *difficult* [illegible] carry out. It will have to [illegible] *done simultaneously.* [illegible] province reforms as [illegible] can."

In [illegible] provinces, notably [illegible] north-west, local govern[illegible] are [illegible] largest employers. [illegible] can afford [illegible] throw thou*sands* [illegible] employees out of [illegible] when unemployment is already high. Furthermore, [illegible] *government* jobs [illegible] a cornerstone [illegible] political [illegible] that has [illegible] some ruling families [illegible] generations.

[illegible] can [illegible] afford [illegible] highly *inefficient and* [illegible] tax [illegible] of [illegible] in the past, the federal government [illegible] subsidies and investment incentives [illegible] the regions, even though corrupt businessmen [illegible] *stole* [illegible] resources. In one celebrated [illegible], Koner SA, a now bankrupt conglomerate, is [illegible] misappropriating [illegible] in government [illegible] a five-year period in [illegible] 1980s.

Mr [illegible] has a different approach. He has [illegible] federal [illegible] companies in [illegible] interior. [illegible] has given the prov[illegible] more money in exchange for promised tax reform and privatisations. [illegible] to [illegible] over deficit-ridden provincial [illegible] funds. [illegible] Cavallo *is also targeting* $300m of federal spending on infrastructure in the provinces this year as part of a planned $2bn, five-year program.

Furthermore, privatised telephone, rail, port and highway operators [illegible] investing heavily in the interior. [illegible]

Grape harvest in Mendoza: only a few parts of the country are experiencing economic growth

[illegible] and cheaper infrastructure [illegible] reducing companies' [illegible] as [illegible] as pumping money [illegible] regions. [illegible] the provinces [illegible] stubbornly resisted privatising [illegible] and banks.

Governors complain [illegible] Mr [illegible] hardly compensating [illegible] the [illegible] to [illegible] provinces of responsibility for [illegible] and health [illegible] used [illegible] handled by the federal government. But most of the governors [illegible] the extra money [illegible] their *side of the* [illegible] *begin*[illegible]. [illegible] governments' spending rose to [illegible] from $16.24bn [illegible] 1991, when Mr [illegible] took [illegible]. [illegible] on wages hit [illegible] record $13.78bn *in 1993* – [illegible]

[illegible]. An exasperated Mr [illegible] the governors [illegible] *administering* [illegible] they [illegible]. They [illegible] not [illegible]ering public spending. They [illegible] not carried out public sec[illegible] reform".

Yet his home province of La Rioja – which Mr Menem gov*erned from 1983-89 in the time*-honoured tradition of padding [illegible] public payroll – has done little in the [illegible]. Even the local finance minister [illegible] La Rioja receives more than its fair share of fed*eral transfers. Until the prov*inces' backward political structures are reformed, [illegible] hard [illegible] see [illegible] can achieve [illegible] sustainable growth.

John Barham

MANAGEMENT

John Griffiths seeks an explanation for the Rover four-wheel-drive vehicle's astonishing popularity

A surprise Discovery

M[illegible] by many conventional motoring criteria, the success of "lifestyle" four-wheel-drive vehicles defies logic.

They first emerged in the 1980s with aerodynamics marginally better than a brick's; cornering poise that not even a Citroën 2CV might envy; essentially crude suspension and other mechanical underpinnings "borrowed" from trucks and other utility vehicles; and poor fuel economy compared with an ordinary car.

There has been some honing and polishing since then. But the fundamentals are little changed and even smooth-talking motor industry marketing directors find it hard to explain the vehicles' appeal.

[illegible] appeal they undoubtedly have. Growth in [illegible] four-wheel-drive vehicles, many of which never stray from the highway to use their off-road capabilities, continues to outpace that of the world car market overall. The 58,561 sold in the UK last year represented a doubling from two years earlier and was eight times as high as 10 years ago.

Even by four-wheel-drive standards, however, the Land Rover Discovery has been a spectacular success. Production has been increased on eight occasions since its launch in 1989; 1,600 additional jobs have been created – and last week Rover Group's Land Rover subsidiary announced a £68m investment programme to expand output by another 20 per cent.

Rover Group executives now talk of the Discovery as one of the most successful vehicles in the company's (née BL, née British Leyland, née BMC) long history. They do so not just in sales terms – although at 37,000 units last year Discovery accounted for one half of Land Rover's global sales – but because it was designed "in-house", brought from design screen to showroom in just 30 months, and has provided Rover with a virility symbol that its design and development credentials are fully intact.

Precisely why the Discovery hit the jackpot is harder to explain, according to Peter Wyhinny, Land Rover commercial director.

One reason sometimes advanced is the versatility of the product. Discovery was not only designed to capitalise on the high-status image of the Range Rover, and thus be readily accepted by companies on their executive fleets. It was also designed with seven seats to give the carrying capacity [illegible] runs and leisure trips previously provided by only a [illegible] or "people carriers". With [illegible] folded, there is enough [illegible] furniture dealers.

With the capability to tow legally nearly 4,000 kilograms, "we [illegible] able to make the Discovery appeal to many different people for many different reasons", maintains Wyhinny. "Also, once people drove it, they liked the commanding driving position and the ability to see traffic movements ahead."

Land Rover describes the Discovery's typical [illegible] professional or with his or her own business. According to Wyhinny, more than 50 per cent of Discovery sales are "conquests" from other [illegible] smaller and Japanese four-wheel-drives, but many [illegible]. A large number of estates are apparently being swapped.

Land Rover, meanwhile, has deliberately responded to criticisms [illegible] four-wheel-drive [illegible] in general.

While acknowledging that Discoverys will never perform like sports cars, the company installed extra anti-roll [illegible] to improve the vehicle's handling.

Land Rover has also gone out of its way to dispel the "gas guzzler" image. [illegible] do not mind averaging well under 20 miles per gallon can still specify a [illegible] litre petrol V8. But the company has also developed its own TDi diesel, with the result that nearly 90 per cent of all Discovery sales in Europe are 30 mpg-plus diesels.

Pricing, meanwhile, [illegible] another important part of the strategy. The Discovery's range has been [illegible] so that it now spans the [illegible] price [illegible] in the UK, allowing relative easy trade-ups from the volume car market.

Not least, Land Rover has sought to keep resale values high by frowning on [illegible] discounting and encouraging dealers to accept used Discovery cars as trade-ins.

[illegible] surprisingly Land Rover takes [illegible] industry analysts who say the "lifestyle" four-wheel-drive [illegible] that could collapse overnight.

For supporting evidence it points to North America, where such [illegible] for [illegible] per cent of [illegible] market and to Japan, where [illegible] almost [illegible] prospect of off-road travel but [illegible] per cent of [illegible].

"In the UK and Continental Europe [illegible] around 2½ per cent," points out Wyhinny." They are immature markets and we [illegible] plenty of headroom for growth."

The Discovery's undoubted if mysterious appeal is a sign that Rover's design and development credentials are intact

Losing foreign control

Foreign subsidiary managers of global companies are losing clout and control, according to a report* from the worldwide business organisation The Conference Board.

Based on in-depth interviews with 82 such managers in North America, Europe and Asia, the survey finds that authority over production decisions is in many cases being transferred to the product division at group headquarters. The biggest area of conflict between foreign subsidiary managers and the centre is marketing, with corporate headquarters increasingly issuing guidelines in this area.

"For many foreign subsidiary managers global competition and integration are generating negative experiences," says the report's Paris-based author Stephen Gates. "They become frustrated and demotivated [illegible] they retain profit responsibility whilst losing control over [illegible]. As their commitment to the company declines, they underperform and may eventually leave."

The report highlights [illegible] between local nationals and headquarters expatriates when it comes to filling foreign subsidiary posts, and reveals that it is the former more than the latter who are losing autonomy. It [illegible] their strong local affiliation can be a barrier to embracing the group's [illegible] strategy; but the expatriate [illegible] has a tendency to implement [illegible] in the [illegible] market [illegible] rigidly, and is [illegible] to feelings of [illegible] on returning [illegible].

The report describes a number of ways in which the foreign subsidiary manager's role can be enhanced, including taking advantage of entrepreneurial opportunities in local markets. Head offices, for instance, can follow the example of NEC USA and Monsanto Canada by assigning responsibility for a global product or service to a local manager with [illegible] of developing a [illegible] of excellence within [illegible].

Tim Dickson

**The changing global role of the foreign subsidiary manager. Available from The Conference Board, Avenue Louise 207, Brussels 1050. Price $100 for non-members.*

Executives out of hibernation

Senior staff [illegible] moving jobs again, says **Vanessa Houlder**

Senior managers are on the move again.

There is not yet a return to the carefree years of the late 1980s, when risk was considered an irrelevance and job-hopping became a way of life. But the grim determination to cling on to secure but frustrating jobs is giving way to increased willingness to change employers.

"People are looking round a bit more," says one executive. "They are less scared than they used to be."

According to Garry Long of MSL, a recruitment consultancy which monitors advertised demand for executives: "It will be a long period before people forget the worries of the recession. But there is a willingness to be a bit more risky in making a move."

MSL believes that job opportunities increased by 30 per cent in the quarter to April and by 22 per cent over the year. Admittedly, this is from a low base – the number of job openings a year ago was at its lowest level since MSL's records began in 1959.

The increase in top job mobility has been reflected in the performance of headhunters. John Viney, chairman of Heidrick & Struggles, an executive search company, says the number of directors' jobs handled by his firm has doubled in the past two years.

One explanation for brisker executive turnover could be pent-up frustration after having to tread water during the recession. The downturn, together with the trend for companies to shed layers of management and flatten hierarchies, restricted promotion opportunities within companies. Ambitious executives, who find their progress blocked, may now feel increasingly [illegible] to change employer.

The pick-up in economic activity, moreover, may create a need for a different sort of executive. Just as the recession revealed the flaws of many of the ambitious, growth-hungry executives who ran companies in the late 1980s, the recovery may highlight the shortcomings of any cautious, less visionary executives who in many cases succeeded them.

According to Viney, the focus is moving from cost-cutters [illegible] marketing people, many of whom have been in hibernation.

"In the recession, companies are interested in financial people who can turn around the business," he says. "As companies come out of recession, they are interested in business development, marketing or strategy-minded people."

This argument is supported by MSL's figures. The most striking improvements in job availability were in marketing and sales, which increased by 39 per cent over the year.

The pick-up in demand for executives, though, varies with the seniority of the job. The top jobs tend to be less sensitive than middle management posts to fluctuations in the economy because companies need a core number of directors, even when they are shedding jobs.

That said, directors have not escaped the pain. "Over the last few years, it has been a very difficult time for directors' jobs as companies have gone to the wall," says Ira Chalphin, employment spokesman of the Institute of Directors.

The number of new directors' jobs is likely to expand relatively slowly as the economy improves. But Chalphin notes that new directorships are still being created by the trend for management buy-outs and by the government's strategy of spinning off businesses out of the public sector.

The activity is nevertheless likely to be greater further down the ranks. "During the recession, people tended to get rid of middle management and make senior managers more accountable for activities," says Steve Garlick, director of GMBM, a recruitment and research consultancy. "Now directors are finding it necessary to direct, rather than manage. There is a need for more middle [illegible]."

While this may be possible, in some cases the upturn will not help everyone seeking to improve their job prospects. Many industries are continuing to cut costs. Many middle managers are still under the threat of redundancy, as companies restructure and cut out management layers.

Although opportunities are increasing, they tend to be limited to those who fit employers' needs precisely.

"As companies are emerging from recession, the skills they need are very specific," says Jonathan Wright of Lawrence Caine, a recruitment consultancy.

Moreover, the recession has blunted the opportunities of many managers to develop marketable skills and, at worst, excluded some talented individuals from the job market completely.

In the short term, at least, the pick-up in demand will tend to benefit those who have been in the right place at the right time.

BUSINESS AND THE ENVIRONMENT

Peter Knight assesses the effectiveness of Europe's leading environmental campaign groups

Same journey, different routes

It is as [redacted] to dismiss the influence [redacted] the thousands [redacted] environmental campaign groups [redacted] Europe [redacted] it [redacted] to [redacted] *them too seriously. This* is because their activities – campaigning, exposing, protecting, conserving and monitoring – are diffuse and difficult to [redacted]

Environmental politics [redacted] *also* highly passionate, based largely on personalities and [redacted] with in-fighting. This [redacted] not, however, detract from the fact that some environmental [redacted] enjoy [redacted] influence which is way beyond what [redacted] unwary expect.

It [redacted], [redacted] example, [redacted] Norwegian Society [redacted] the [redacted] of Nature which marshalled [redacted] dissatisfaction [redacted] plans to build [redacted] Olympic [redacted] in environmentally sensitive areas. This brought change, not only in Norway but [redacted] within the Olym[redacted]

The change has already [redacted] *which Olympic* [redacted] are won – [redacted] from the involvement [redacted] Greenpeace by [redacted] organisers [redacted] Sydney's successful bid to host the games in 2000. The Olympic [redacted] is now expected [redacted] promote the environment [redacted] philosophical pillars, which will [redacted] bidding [redacted] *and commercial* [redacted]

The [redacted] central Europe [redacted] witnessed [redacted] in the number [redacted] influence of environment-based political groupings. And in [redacted] UK, near-naked, drum-beating [redacted] Donga Tribe – [redacted] affiliation [redacted] practise [redacted] form of [redacted] – have attracted unprecedented middle-[redacted] support for their campaign against [redacted] government's road-building *plans.*

Environmental politics is highly passionate, based on personalities and rife with in-fighting

The [redacted] influential [redacted] in [redacted] Friends [redacted] Earth, Greenpeace, [redacted] Fund for [redacted] *(WWF)* [redacted] *Royal Society for* [redacted] Protection [redacted] Birds (RSPB) working with [redacted] International.

"The [redacted] are practised at [redacted] message [redacted] an easily understandable form are [redacted] four. Top [redacted] my [redacted]," says Ken Collins, MEP, chairman of the European [redacted] ment Committee.

[redacted] the [redacted] lished European Environment [redacted] of [redacted] conservation [redacted] environmental [redacted] *throughout* [redacted] and eastern Europe, appears to be slipping. *This is mainly because it finds* it difficult to reach consensus [redacted] controversial issues. But [redacted] a problem with presentation. "Instead of making it short and [redacted] they [redacted] in for awfully [redacted] and hectoring *briefings.* [redacted] *lobbying* [redacted] being [redacted] with information," [redacted] Collins.

Ann Robinson, [redacted] of policy [redacted] UK's Institute of Directors and [redacted] rapporteur [redacted] the European Union's recently [redacted] habitats directive, [redacted] *she found* [redacted] "absolutely brilliant". The RSPB [redacted] *on* [redacted] *broad* [redacted] *issues,* including agriculture policy, coastal issues, *the* [redacted] EU structural funds.

But environmental campaigners might [redacted] in for a more difficult [redacted] in [redacted] lobbying and [redacted] also [redacted] shift [redacted] issuing [redacted] before moving [redacted]

Environmental groups [redacted] classified according to a sliding scale of environmental tenacity – their [redacted] scale [redacted] paler [redacted] with groups [redacted] *largely* [redacted] supported by the establishment, [redacted] conventional.

● WWF [redacted] the world's biggest and [redacted] with [redacted] in [redacted] countries. *It* [redacted] *supported by* [redacted] *(through* sponsorship programmes), [redacted] and eminent persons, such [redacted] Royal Highness [redacted] Philip, [redacted] president.

[redacted] *position* at [redacted] *of* [redacted] establishment [redacted] both [redacted] strength [redacted] weakness. [redacted] might have [redacted] ability [redacted] influence influential people and [redacted] change, but [redacted] associations can [redacted] hamper its [redacted] because [redacted] inevitable [redacted] vested [redacted] Mav[redacted] groups recently won worldwide [redacted] for [redacted] ban on the ivory trade, while the WWF was compromised by its [redacted] and [redacted] to swing behind the widespread grassroots [redacted] *ban.*

Photo AP

Greenpeace's activities are based on its ability to operate in aggressive absolutes

Colour *of green:* light. Attitude: diplomatic. [redacted] gaining a reputation as [redacted] respected critic [redacted] some of [redacted] EU's policies, especially its structural funds.

[redacted] *RSPB is the biggest and probably* [redacted] voluntary wildlife con[redacted] organisation in Europe, [redacted] more than 850,000 members, mainly from the [redacted] middle [redacted] ses. It is the UK partner in [redacted] which lobbies for pol[redacted] that [redacted] protect birds.

[redacted] interest affects a broad [redacted] of policy making. [redacted] main principles [redacted] that: economic development should be sustainable and bio-diversity should be main[redacted] *concern for* [redacted] should be an [redacted] part of EU policies; policy making must be [redacted] and policies protecting nature must [redacted] rigorously [redacted]

Colour of [redacted] light. Attitude: diplomatic. [redacted] effective: acknowledged as respected and effective lobbyists [redacted] *European Parliament* and the Commission.

■ Friends of the Earth is an international network [redacted] groups – some calling themselves FoE [redacted] *by local names* – [redacted] *representa*tion in most parts of the world. Groups within the network enjoy [redacted] large amount of autonomy, [redacted] means that FoE's influence is largely related to its local strength.

If FoE differs from other environmental groups, it is in the way it [redacted] its involvement [redacted] social and development issues such as [redacted] rights [redacted] indigenous peoples. It has programmes, campaigns and projects including development banks, [redacted] and [redacted] environment, tourism, [redacted] *depletion, packaging,* desertification, wetlands, marine issues [redacted] forests and climate change.

Colour of green: medium [redacted] (sometimes) dark – depending on locality. Attitude: emphasises dialogue, [redacted] barbs. How effective: contributes [redacted] infor[redacted] *debates,* [redacted] *has a limited* [redacted] European policy making; [redacted] on the Commission rather than [redacted] Parliament.

■ Greenpeace has [redacted] from [redacted] Canadian origins as a [redacted] anti-nuclear [redacted] through highly [redacted] anti-whaling [redacted] anti-sealing campaigns. In 20 [redacted] it [redacted] a [redacted] *operation* located [redacted] countries [redacted] continents, with a fee-paying [redacted] bership of nearly [redacted] supporters.

[redacted] successes and failures [redacted] ability [redacted] operate in aggressive [redacted] – calling [redacted] *boycotts through clever* information campaigns. While [redacted] continues [redacted] these campaigns, maturity has brought [redacted] inevitable dissension in the ranks [redacted] the softening [redacted] some [redacted] its approaches. Greenpeace [redacted] *says it combines its traditional* direct action with market-driven persuasion.

Colour [redacted] green: medium [redacted] dark. Attitude: prickly, direct action, research, market-driven campaigns. How effective: good at raising [redacted] but *organisational* problems in Brussels [redacted] group's potential [redacted] influence directly European policy making.

● European Environmental [redacted] in [redacted] represents around [redacted] environmental groups, including some [redacted] of WWF and the FoE network. Its membership [redacted] varied and [redacted] Ecoglasnost from Bulgaria, [redacted] Rhododendron Eco-Club from [redacted] and the [redacted] *Academy of* [redacted]

Colour [redacted] green: light to [redacted] Attitude: represents members' views. How [redacted] of the *furniture of* Brussels; [redacted] difficult [redacted] represent varied interests [redacted] its [redacted]

Green issues take off

Airports are taking pollution to heart, writes Jane Martinson

Noise pollution [redacted] *the* environmental hazard most people associate [redacted] air travel, especially those living [redacted] to airports. Other environmental problems however, may cause an even bigger *headache.*

A wide-ranging report* on airports and [redacted] environment published recently set out [redacted] currently [redacted] the industry. These include the impact on [redacted] quality and [redacted] management and the growing concern [redacted] the [redacted] *of emissions* [redacted] *air quality.*

It points out that whereas noise [redacted] most noticeable form [redacted] pollution, [redacted] great deal has been done [redacted] reduce it in the [redacted] 20 [redacted] – a definition of acceptable [redacted] levels has been set by [redacted] International [redacted] Organisation, [redacted] Nations [redacted] *that* [redacted] transport.

In [redacted] the complex impact on [redacted] and [redacted] quality [redacted] only just starting [redacted] be reviewed and regulated.

[redacted] are thought *to* [redacted] *cent of the carbon* dioxide created by humans [redacted] as well [redacted] a similar percentage of [redacted] oxide and sulphur dioxide. Although a small percentage, its impact [redacted] the [redacted] layer [redacted] likely [redacted] be great because [redacted] is [redacted] at a [redacted] altitude.

The [redacted] proportion [redacted] other [redacted] have [redacted] action [redacted] reduce emission levels by switching [redacted] introducing [redacted] catalytic [redacted]

Anne Paylor, [redacted] of the report, writes: "It [redacted] that for every word spoken about noise problems [redacted] aviation industry [redacted] the past decade, [redacted] *will be spoken* [redacted] in the [redacted] decade."

The predicted boom in capacity [redacted] worries environmentalists. According [redacted] the report [redacted] travel is [redacted] double by theend of the century and treble by 2005.

The [redacted] is concentrating on attempts to improve air traffic [redacted] cut delays and [redacted] excess fuel *consumption.*

A number of airports are also changing their environmental management plans. Manchester airport, [redacted] third biggest in the UK, [redacted] to launch an environmental strategy document this month [redacted] will [redacted] *out* targets in key areas such as emissions, noise, water quality and [redacted] management for airport [redacted] and [redacted] including airlines.

While [redacted] about the [redacted] details of the document, the airport's environment department [redacted] *it will penalise* [redacted] *who* [redacted] not operate by its environmental rules.

Over [redacted] last five years, the airport has spent [redacted] environmental work. It [redacted] built [redacted] new drainage system to [redacted] with [redacted] problem [redacted] surface [redacted] contamination – particularly that [redacted] by [redacted] in conventional de-icers – and [redacted] a patent application for an infra [redacted] de-icers.

[redacted] Melrose, environmental control manager [redacted] Manchester, [redacted] the benefits of [redacted] expenditure far outweigh any [redacted] involved.

"The beauty of environmental management is that not only [redacted] it self-financing, [redacted] certain aspects [redacted] the most [redacted] activities in the [redacted] plan." [redacted] include low revenue costs, lower capital costs, improved [redacted] service and working conditions, and publicity.

The report concludes [redacted] self-regulation and financial investment by airports can represent a high [redacted] of return [redacted] improved efficiency and [redacted] relations.

Paylor [redacted] "Airports have [redacted] this issue [redacted] heart [redacted] *they* [redacted] *that if they don't* [redacted] acting responsibly [redacted] other people will [redacted] to impose horrendous restrictions on them. If they [redacted] grow they [redacted] to take [redacted] initiative."

**Airports* [redacted] *the Environment,* [redacted] *Publications, 8 Eastgate Square, Chichester, West Sussex PO19 1JN. Price £425.*

PEOPLE

Non-executive directors

■ Sir Brian Jenkins, a senior *partner* [redacted] *Coopers* [redacted] *Lybrand* and a former Lord Mayor [redacted] London, [redacted] WOOLWICH BUILDING SOCIETY.

■ Jonathan Charkham, a former adviser to the Bank [redacted] England and the [redacted] *director of Pro Ned,* [redacted] LEOPOLD [redacted] HOLDINGS.

■ Tony Barrell, former chief executive [redacted] the offshore division [redacted] the Health and Safety Executive, [redacted] BAA, where he is appointed chairman of the safety and security committee; [redacted] John Drinkwater is retiring.

■ Rupert Barclay of the LEK Partnership [redacted] LOWLAND INVESTMENT COMPANY.

■ [redacted] has resigned from [redacted] GROUP.

■ *Frank Bonsal* [redacted] resigned from CANTAB PHARMACEUTICALS.

■ [redacted] Glatter, [redacted] senior partner [redacted] Blick Rothenberg, [redacted] BANK LEUMI (UK).

■ Dick Turpin, [redacted] md [redacted] *Inns Group* [redacted] *Compass* Catering, [redacted] QUADRANT.

■ Farrell Sher, former md [redacted] Liberty Holdings, [redacted] TLANTIC HOLDINGS; Ivan Gray and Brian Gilbertson have resigned.

■ Michael [redacted] as chairman [redacted] ASSURANCE, having retired [redacted] executive chairman.

■ [redacted] Hickson, finance director of MAI, [redacted]

■ Robert Barclay, [redacted] Trinity Square Holdings, and Philip Evans, formerly chairman [redacted] English [redacted] American Group, have resigned from RELIANCE NATIONAL [redacted] Co (UK) because their commercial association with the company has come to [redacted] end.

■ Allan Gormly (below), group chief [redacted] Trafalgar House, [redacted] the NATIONAL [redacted] COMPANY.

Fourth generation of Bowthorpe at OCS

Gerald Bowthorpe (right), 55, has been appointed managing director [redacted] OCS Group, [redacted] ceeding David Cracknell, 63, [redacted] become group chairman, following the retirement *of* [redacted] 62. Good[redacted] and Cracknell assumed control of the company in 1975, since when it [redacted] become [redacted] the UK's largest privately-owned property support ser[redacted] companies, with annual [redacted]

Bowthorpe's connections with [redacted] go back [redacted] long [redacted] his father, Harry Bowthorpe, played a key [redacted] in expanding [redacted] one-man window-cleaning operation started by Frederick Goodliffe in [redacted]

The group [redacted] to its fourth generation of Bowthorpes, [redacted] 23 members [redacted] the family employed.

Gerald Bowthorpe *joined* [redacted] in [redacted] and, apart from assisting [redacted] Majesty's armed forces (during national [redacted] vice), has been with [redacted] since. One [redacted] many [redacted] has played within [redacted] was [redacted] managing direc[redacted] of a subsidiary, [redacted] Century Cleaning company. Before this [redacted] appointment, [redacted] chairman [redacted] Cleaning Services Ltd, [redacted] larg[redacted] OCS subsidiary.

Through acquisitions and diversifications – within the [redacted] and overseas – [redacted] has extended [redacted] beyond [redacted] origins of providing [redacted] cleaning services, [redacted] less [redacted] 60 [redacted] cent [redacted] group income.

Leaving Forte

Alan Hearn, group operations director of Forte, is to leave the hotel and restaurant group in September.

Management restructuring meant that his [redacted] had [redacted] relevant. [redacted] Forte's hotel brands now has [redacted] own head and the group [redacted] there was less need for an [redacted] operations [redacted]

Hearn, 52, had been with [redacted] for [redacted] 20 [redacted] was appointed [redacted] the [redacted] in 1988.

Forte [redacted] yesterday [redacted] the [redacted] was not unexpected. He had helped to introduce the new management structure [redacted] was largely a victim of his own success.

Washington moves [redacted] Mansfield

The [redacted] Authority, [redacted] *new* agency [redacted] will regulate [redacted] *privatised* [redacted] *industry,* [redacted] *a* further step towards reality yesterday with the appointment [redacted] a chief executive desig[redacted]

[redacted] is Neville Washington, currently director of human [redacted] operations [redacted] Victoria Infirmary, an NHS *trust hospital in Glasgow.* [redacted] that job in [redacted] he was a lieutenant colonel in the army. He is [redacted]

The Coal Authority already has [redacted] chairman, Sir David White, and will be based in *Mansfield, Nottinghamshire.*

■ Stephen Brown is promoted [redacted] SPRING RAM CORPORATION [redacted] director [redacted] *overseas operations.*

■ Jonson Cox, md of Yorkshire Environmental, has been appointed to [redacted] board of YORKSHIRE WATER.

■ Geoffrey Sanderson, formerly deputy [redacted] of Reuters *UKI, has been appointed* md of Reuters' subsidiary, Vamp Health, and [redacted] succeeded by Julie Holland, previously a divisional director.

Television/Christopher Dunkley

New series freshen up the summer

High summer, and the heat coming off the London pavements is phenomenal. In years past this would have been a signal to the television critic to open the garden doors, half close the curtains, and settle back on [illegible] old green sofa to watch hours of sport, hymning the beauty of blue skies and green pitches in the coverage of cricket at Lord's, extolling the excitement of Channel 4's daily reports from the *Tour de France*, and enthusing over the BBC's expertise at Wimbledon and the British Grand Prix. Not this year, though. Whatever the reason – fiercer competition perhaps, or shame at the avalanche of repeats in summers gone by – the broadcasters have been launching almost [illegible] many [illegible] in [illegible] autumn season.

It would, anyway, have [illegible] hard to sustain the enthusiasm for summer sport programmes now that dear old Johnners has gone from the cricket commentary box, Dan Maskell and Harry Carpenter from Wimbledon and, [illegible] all, James Hunt from the motor racing circuits. The sense of loss left by Johnners, Maskell [illegible] Carpenter was foreseeable, but the vacuum created by Hunt's death is a bit of a surprise. There is nothing wrong with his successor, Jonathan Palmer, who seems highly professional. But Hunt provided such a telling counterpoint to Murray Walker's high pitched scream. In the old days you would see a ghastly crash with smoke and flames and wheels hurtling off the track and Hunt would drawl "Bit of a shunt there. Charlie Farnsbarns must have missed his heel-toe racing change" or some such technical insight. Hunt would have been in his element analysing Damon Hill's winning drive at Silverstone on Sunday and is much missed.

But what of the new series? Monday brings two. *All Night Long* on BBC1 is a sitcom set in an all-night bakery, staffed by life's flotsam and jetsam. There is a kissogram girl who is periodically called out ("Time and a half for whip work"), [illegible] in a wheelchair, [illegible] shortest man who ever worked for British Rail, Wally the cab driver, and a Romanian termagant named Wanda. The pudding may be a little [illegible], but opening episodes are notoriously difficult and there were [illegible] laughs [illegible] recent comedies.

Room [illegible] on BBC2, hijacked (like so much that is good on television) from radio, is a [illegible] to "Desert Island [illegible]". [illegible] the guests [illegible] pet [illegible] and, human nature being what it is, hearing what people detest can be [illegible] entertaining [illegible] hearing what they like. Guest number one was Bob Monkhouse, a man revitalised by a couple of impressive [illegible] performances. He did the host of *Room 101*, Nick Hancock, proud, choosing [illegible] such [illegible] French, Cilla [illegible] singing, and [illegible] which [illegible] khouse himself has presented. The drawback is that Hancock is determined to make the host as important as the guest and, for no good reason, rejects most of the guest's choices.

There are two more new series on Tuesday, both on BBC2. We have, of course, seen cook Keith Floyd on screen before, but *Floyd On Italy* is new. He is now driving a gold Aston Martin and being very tetchy with his new film crew. Perhaps the weather, clearly atrocious, is to blame. You have to admire a man who will set up a picnic table in an ancient market square and cook for the cameras on a camping stove while a Wagnerian thunderstorm thrashes around him. However, while past programmes suggested Floyd has a good grasp of French and [illegible] cookery, he seems much less at home with Italian food and Italian habits.

Heretic which looks at "unorthodox" scientists began well with Jac[illegible] Benveniste, [illegible] research suggested that homeopathic theory was right and that water had some sort of "memory", or could work like recording tape. The sequence showing the editor of the famous British scientific journal Nature visiting Benveniste's lab with a team of "fraud busters", led by a conjuror, was eye opening and saddening. Science may have moved on since Galileo but the small mindedness of the doctrinaire seems to go on forever. A valuable series.

It is the BBC once again which brings us two new series on Thursdays. *The Imaginatively Titled Punt And Dennis Show* (oh dear) is a half-hour comedy sketch programme which opens, ill advisedly, with a front-of-tabs sequence that seems to be modelled on Morecambe and Wise. Smith and Jones tried it and never really pulled it off, and the efforts of Steve Punt (the smaller of the pair and uncannily like Eric Idle) and Hugh Dennis do not look much more promising. It painlessly [illegible] half an hour, but if this is the best that a major channel can offer in peak time then comedy is, indeed, in a trough. The surprise series is *State Of The Ark* on BBC2. These days we have enough natural history series to sink an ark (which, according to *Richard Digance* on ITV on Sunday was not at all what God told Noah to build: the idea was actually to make a *park* for the animals, but being 600 years old and hard of hearing Noah missed the "p") yet this is rather different. Episode 1 showed pictures of the ill treatment of animals in zoos which were enough to enrage the most cynical of viewers. Episode 2 showed model zoos whose owners had utterly different beliefs about their purpose: that they should concentrate on the human onlooker; [illegible] they should concentrate on re-stocking the wild, and so on. Excellent so far.

On Friday ITV finally contributes a new series. *Freddie Starr* looks like some ancient demo tape which might have been studied by Benny Hill at the start of his career. Starr is keen on sight gags: the unobserved petrol nozzle which fills up an entire car, the girl whose dress is sucked off by a vacuum cleaner [illegible] reveal black underwear, the clockmaker who reads The Times. He croons 1950s' songs in tribute to Elvis Presley, and last week managed to get [illegible] Frank Bruno into a kilt . . . albeit over his trousers. It is deeply traditional and unsophisticated stuff, but then [illegible] is Britain's favourite form [illegible] theatre: the pantomime.

The quality of these new [illegible] varies: much [illegible] below what [illegible] might expect from new [illegible] in the autumn season. But having complained for [illegible] about summertime repeats we ought, surely, to [illegible] the broadcasters (or the BBC, anyway) have at last responded. Two cheers: hip hip . . .

Cross-dressing Japanese style

'Takarazuka!' is the apotheosis of kitsch, says Clement Crisp

T[illegible] that [illegible] psycho-analysis more than [illegible]. The mysteries of cross-dressing on stage – [illegible] mysteries [illegible] cross-dressing in the Japanese theatre – are not to be gone into here. Suffice it to say, as a television programme and a lot of press coverage have lately made us aware, this is an all-girl show whose "male" stars are [illegible] darlings [illegible] Japanese [illegible]. The girls' training, [illegible] television helpfully [illegible] us, [illegible]

What you must go for is the rampant fatuity, the glitz, purveying mindlessly unreal fantasy in giant day-glo dollops

housemaids and they end up as Gary Glitter. Can education aim for [illegible]!

Now [illegible] the Coliseum, hideously loud, brash, slick, inexorably vulgar, and [illegible] with [illegible] sequins, transformations, *japonaiserie*, cherry-blossom, a stuffed seagull, baritone ladies singing love-songs – though not a single scene takes place near that celebrated beauty-spot The Well of Loneliness – and relentless smiles. It is the apotheosis of kitsch, and is wholly uninteresting on any [illegible]. Yet given the heady mix of clichés, of second-hand ideas, of feeble dance routines and [illegible] anything better would dilute the kitsch-value.

What you must go for is the rampant fatuity, the glitz, the megawatt seriousness of the thing, purveying mindlessly unreal fantasy in giant day-glo dollops. Not for our audiences, [illegible] course, those inscrutable passions that the show inspires in the hausfraus of Tokyo, even unto offers of marriage. (The local drag-queens are, I am told, also fans of Takarazuka's chaps: but here we enter a [illegible] treble-bluff identity which sets the mind reeling). It is sexually quite peculiar, in a sanitised way, and [illegible] be immediately comprehensible to British audiences reared on pantomime, where the principal boy is a girl and her mother a man.

The show lasts three hours. (Was that all?) The first part is the *menu touristique* with tripping maidens, a samurai serenading a dead seagull (the programme alleges it is a hawk; I was surprised it didn't claim it as the Dodo) and cherry-trees. Transformations brilliantly done. Colours very bright. Pause to wonder why the Japanese, whose popular art – from Kabuki to wood-block print – is so stylish, so ineffably elegant, so beautiful, can tolerate such taradiddle. Answer comes there none.

Part two is a scena, based on an O Henry story about a bank-vault, in which a little boy (believe in that performance and, like the White Queen, you will believe six impossible things before breakfast) is locked in the vault for 30 years. He is, alas, rescued by a reformed bank-thief engaged to [illegible] daughter. Songs, [illegible], a multitude of bar-boys, a lot of auburn hair, spoken dialogue obligingly given surtitles ("I thought he was in Africa – or Monaco"). A hero called Ralph – and you may guess how that sounds in Japanese. Ill-controlled hysteria from your critic.

The last section – by which time I was lobotomised by neon, scene changes and and the curiously shrill tone of the amplified Japanese female singing voice – is called *A Million Dreams*. (Mine were all of escape.) Mira Anju, the star of [illegible] show, appears in a succession of numbers, variously resembling Michael Jackson, Makarova *en smoking*, Jack Buchanan, without [illegible] memories of these.

She is, like Billy Bennett of blessed Music Hall memory, almost a gentleman. A pianist goes three rounds with a Chopin [illegible] while a quartet [illegible]. More. Much, [illegible] more. Someone singing *By a sleepy lagoon*. Someone else having a go at *Besame mucho*. The roar of the big-band sound that, even so, cannot make the score sound like music. At the end, down the obligatory staircase come the entire cast in pink: pink tail-suits, pink ostrich feathers, pink Dubarry frockery. Not so much *La vie en rose* as *L'enfer en rose*. Miss Anju, in gold pailletted tails and feathers, looks splendid. I recalled a be-plumed Zizi Jeanmaire, [illegible] *truc en plumes* had more wit in ten seconds than [illegible] in its three hours.

It is a very odd experience indeed – a collector's piece, I suppose. My companion thanked me "for an unforgettable evening". I am going to try and forget the evening as soon as possible.

Takarazuka! is at the Coliseum until July 23. Sponsored by Mitsubishi Corporation.

Almost a gentleman, and apparently the darling of Japanese housewives: the British, reared on pantomime, should find all this immediately comprehensible

Opera

La fanciulla del West

In [illegible] Glyndebourne has gone over to operas set on the empty [illegible] post-modernism, [illegible] production [illegible] as [illegible] to another era. The late 1970s were a high point at Covent Garden and *La fanciulla del West* was among its golden successes.

Money was said to be short at the time, but it does not look like that now. No doubt working on the premise that Puccini's "Gold Rush" Western is an opera ripe for Hollywood, the producer Piero Faggioni went to Tinseltown for his designer, Ken Adam (of James Bond fame). His massive designs still look impressive, especially Minnie's log cabin in [illegible] mountains, [illegible] whole [illegible] structure built on stage. Who cares if changing the sets means the intervals last 40 minutes, especially on the hottest night of the year?

[illegible] returned [illegible] summer for Gwyneth Jones, who sings Minnie. After 30 years plus service for the Royal [illegible] there can be few new roles left for her. Working up through the Wagner [illegible], Strauss's Frau and Elektra, then Puccini's T[illegible]ot, she has left Minnie till last – [illegible] rung on [illegible] soprano's [illegible] heavi[illegible] repertoire.

Puccini himself admired Maria [illegible] the title-role, probably [illegible] her entrance sliding down the banisters, firing her gun in mid-air. Gwyneth Jones does not try any antics like that. Her Minnie is warm-hearted, tender, eyelashes fluttering at the end of Act 1 as she feels love for the first time. A tendency to lift up into notes in the early half of the evening is a nagging annoyance, probably a sign that she was not in her best voice, but there is no shortage of power packed in her holster.

Justino Díaz makes a formidable adversary for her. His sadistic Jack Rance, wrapped in an ankle-length white fur coat, is a dominating figure with biting, powerful singing on the same scale, easily the best thing he has done here. Nicola Martinucci is a reliable Dick Johnson, who rises to his big moments eagerly. It is good to have an Italian tenor in the role and one with a voice of the right size, even if he lacks some vocal class.

The way he and Minnie warily circle each other captures well Puccini's subtlety as [illegible] edges their relationship forward. It [illegible] important [illegible] reminder that [illegible] *fanciulla* [illegible] is not an early [illegible]. This [illegible] vintage Puccini, cocooning [illegible] lovers at Minnie's [illegible] bound but with music [illegible] knows exactly how [illegible] of its own. Richard Buckley loves the score, but unfortunately to excess. All the slow music drags and it is only partial compensation that he finds such high-octane verve when pace is called for.

Among the miners there are some good cameos, especially Francis Egerton's trusty Nick, still there after 17 years. Michael Druiett makes a lowering figure of Ashby, the Wells Fargo man, and Clive Bayley is a striking Castro. This is not the [illegible]ting revival the production has had (a tighter sense of pacing would be needed for that) but it is worth catching. *La fanciulla del West* is an expensive opera to put on and we can no longer count on seeing Puccini's neglected masterpiece often.

Richard Fairman

Revival sponsored by Dr Stanley Ho. Further performances until July 23.

Glyndebourne's 'Onegin' revisited

In the middle of its Glyndebourne run, *Eugene Onegin* – or "Yevgeny Onyegin" as Glyndebourne calls [illegible] – has been passed to conductor David Angus for a couple of performances while Andrew Davies takes a break. On Monday there was no sense of blurred carbon-copy about the music; it [illegible] alert, fresh, crisply balanced.

Now that Graham Vick's production is thoroughly played in, its cool virtues stand out in [illegible] (Like [illegible] after the first night, I find myself on the qualified-admiration side.) The first [illegible] played as if observed from a detached *distance*: Vick likes his actors to behave as if in a [illegible] historical film, and nobody is [illegible] play directly to the audience for sympathy.

As Elena Prokina's Tatyana [illegible] her letter in a bare [illegible], she remains withheld, privately at grips with herself. Her small, natural gestures [illegible] extremely touching, [illegible] her broken phrases; at the climax, however, the voice is a touch strident, and therefore [illegible] expressive – not quite the outpouring [illegible] feeling [illegible] wanted, just an operatic [illegible].

Only [illegible] Thompson's [illegible] desperate Lensky (and John Fryatt's ineffable [illegible] Triquet) [illegible] off the rein to make his full impression. And that is brusquely extinguished with the duel [illegible], which [illegible] through open barn-doors: he and Onegin march out of sight in opposite directions before the fatal shot, and Lensky is of course never seen again. Suddenly he is no more than a old grief of Onegin's, near-forgotten.

In productions more generous with feeling, the big formal dances at the start of Act [illegible] often jar. With Vick's cooller vision, they are hardly more [illegible] than the [illegible], and [illegible] can [illegible] them satirically [illegible] contradicting the overall tone; in fact he makes a *tour de force* of them, the better to set off good, decent Prince Gremin's [illegible] (Frode Olsen [illegible] admirable here). [illegible] always, [illegible] upon a *moral* point, and the final scene – Tatyana's rebuff [illegible] – is played to reinforce that, not to let us wallow in sympathy for Onegin or Tatyana.

One thing about Angus's conducting: in markedly rhythmic passages, he tried to allow his singers time to round off phrase-ends gracefully – but they pressed on unremittingly, leaving him to catch up. Evidently they were too well-drilled in a tougher reading to bend. I should have liked more bending; but it might not have suited Vick's stern style.

David Murray

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ AIX-EN-PROVENCE

Hard times have reached France's premier summer music festival. From three operas Aix has had to reduce to one: Mozart's Die Zauberflöte, which opens the festival on Friday in a new production by its winning team of recent years, the conductor William Christie and producer Robert Carsen. The concert programme will probably not be enough to tempt regulars back to this delightful town, though the food and general air of good living might. Margaret Price is soloist in Berlioz's Les Nuits d'Eté on Monday, José van Dam sings Mozart arias on July 21 and Felicity Lott gives a recital on July 28 (4217 3434)

■ AVIGNON

Japan is a principal theme of this year's festival, which runs till Aug 2. There are two Noh theatre productions and two shows devised by Kazuo Ohno and his son Yoshito. Susan Buirge will choreograph two new works for the Ma Tu Ma [illegible] company. The dance programme also features the the Bill T. Jones/Arnie Zane company, plus the Paris Opera Ballet (July 29-August 2), which presents choreographies by three Americans - Paul Taylor, Jerome Robbins and William Forsythe. [illegible] strong theatre line-up includes Euripides' Andromache directed by Jacques Lassalle (till Sat), Shakespeare's Henry VI directed by Stuart Seide (July 20-25), the French premiere of Tony Kushner's Angels in America and three short plays by Edward Bond (9086 2443)

■ BAYREUTH

This year's festival opens on July 25 with a revival of Wolfgang Wagner's 1989 production of Parsifal, conducted by Giuseppe Sinopoli. But the main focus is a new production of Der Ring des Nibelungen, staged by Alfred Kircher, designed by Rosalie and conducted by James Levine. The cast is headed by John Tomlinson, Deborah Polaski, Wolfgang Schmidt, Tina Kiberg, Poul Elming, Ekkehard Wlaschiha and Eric Halfvarson. Last year's production of Tristan und Isolde, conducted by Daniel Barenboim and staged by Heiner Müller, is revived with the same two singers in the name-parts - Siegfried Jerusalem and Waltraud Meier. The other revival is Dieter Dorn's 1990 production of Der fliegende Holländer, conducted by Peter Schneider, with Bernd Weikl and Sabine Hass. The only way to get hold of tickets now is on the black market (0921-20221)

■ BREGENZ

The opera festival at the Austrian corner of Lake Constance opens next Wednesday and runs till Aug 26. In recent years Bregenz has won an enviable reputation for artistic boldness, while preserving its appeal for tourist [illegible]. David Pountney's spectacular 1993 production of Nabucco is revived on the lakeside floating stage - counterbalanced at the nearby indoor theatre by a rare staging of Zandonai's Francesca da Rimini ([illegible] 224)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Marseille and Avignon, provide a serene Provençal setting for a piano festival of increasing international renown. Joaquim Achucarro is soloist in the opening concert by Novosibirsk Philharmonic [illegible] on July 30. Other pianists at the festival include Rafael Orozco, Michel Dalberto, Michel Béroff François-René Duchable, Aldo Ciccolini, Nelson Freire, Eliso Virsaladze, Jean-Bernard Pommier, Lisa Leonskaja, Stephen Hough and Deszö Ranki, who gives the final recital on August 21 (4250 5115)

■ MONTPELLIER

Apart from its setting in southern France, the attraction of Radio France's annual festival is its selection of rare operas. This year sees the first-ever staging of Cimarosa's L'Armida immaginaria (July 26) and a concert performance of Montemezzi's L'amore dei tre re (August 4). Visiting orchestras include the Orchestre National de France conducted by Charles Dutoit (July 15), the St Petersburg Philharmonic conducted by Yuri Temirkanov (July 18), the Orchestre National de Lyon with soprano Hildegard Behrens (July 25) and the Orchestre de Paris with piano soloist Nelson Freire. The festival ends on August 4 (6702 0201)

■ RHEINSBERG

The chamber opera festival founded by German composer Siegfried Matthus in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its fourth year. The formula is simple: bring together an international group of promising young singers for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park; then show the results in two opera productions. This year's programme consists of Carl Heinrich Graun's Montezuma, staged by John Dew (July 29, 30, August 2, 3, 5, 6), and a double-bill pairing Schoeck's Vom Fischer un syner Fru with Ibert's Angelique (August 12, 13, 17, 18, 19 and 20). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin (030-463 [illegible]

■ SALZBURG

The 1994 festival (July 25-August 31) takes to the air with the premiere of Stockhausen's helicopter quartet: while the composer controls the sound electronically in the Mozarteum, members of the Arditti Quartet will play their parts in four airborne helicopters. Back on terra firma, this year's flagship opera production is Don Giovanni, staged by Patrice Chéreau and conducted by Daniel Barenboim, with a cast headed by Ferruccio Furlanetto, Bryn Terfel, Catherine Malfitano and Cecilia Bartoli. The opera programme [illegible] has a [illegible] emphasis, with three Stravinsky stagings and a transfer from the Easter Festival of the Claudio Abbado/Herbert Wernicke production of Boris Godunov, with Samuel Ramey in the title role. In the concert hall, Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in two cycles of Beethoven symphonies. The drama programme continues to gather strength, with Shakespeare's Antony and Cleopatra directed by Peter Stein, and Pirandello's The Mountain Giants directed by Luca Ronconi (0662-846682)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in north Germany, in venues with a more local atmosphere than most international festivals. This year's programme [illegible] a special emphasis on Jewish music. There are visits from the Israel Philharmonic and Jerusalem Symphony Orchestras, plus young musicians from Israel. Jewish composers are well represented - including Mendelssohn, Mahler and those banned during the Nazi era, such as Ullmann, Haas and Klein. There is also a retrospective of [illegible]. Among the highlights over the coming week are a song recital by Brigitte Fassbender tomorrow in Heide, a performance of Schubert's Winterreise in Kiel on Saturday by Christa Ludwig, and concerts by the Israel Symphony Orchestra in Kiel on Sunday and Itzehoe on Tuesday. The festival runs till Aug 21 (0431-567080)

■ VERBIER

Verbier, a popular resort in the western Swiss Alps, is holding its first-ever summer music festival, linked to a series of courses and masterclasses for talented young musicians. The festival opened last night with a concert by the resident orchestra, the Young Israel Philharmonic, conducted by Zubin Mehta. Verbier has managed to attract some of the busiest international soloists, including Gil Shaham (tonight), Maxim Vengerov (tomorrow), Yevgeny Kissin (Friday), Ute Lemper (Sunday), Barbara Hendricks (July 24 and 29), Mischa Maisky (July 27), Augustin Dumay and Maria Joao Pires (July 28) and Nikolai Demidenko (July 30). Michel Tabachnik conducts Beethoven's Ninth Symphony at the final concert on July 31 (021-963 8222)

ARTS GUIDE

M[illegible]: Performing [illegible] city by city.
Tuesday: Performing [illegible] guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

Enter at their peril

Europe's pride in itself is undermined by its treatment of asylum seekers

The European Union has a high opinion of itself. It likes to talk about "European civilisation" and "European values", suggesting that such things as freedom, democracy and human rights are European inventions, which other [illegible] of the world either have learnt or should learn from Europe.

But [illegible] the EU conduct itself, towards people approaching from outside, in a [illegible] that might convince them [illegible] to [illegible] a claim? The question is prompted by a [illegible] paper [illegible] Amnesty International (AI), [illegible] *Europe: [illegible] for minimum standards in asylum procedures.**

People who seek political asylum in Europe are taking [illegible] "European values" seriously. Fleeing [illegible] ment in their own countries, they expect higher [illegible] in Europe. So, if it [illegible] any real store by its self-image, Europe [illegible] a responsibility to live up to its claims in dealing with [illegible] people. On AI's evidence, [illegible] *doing* [illegible].

I [illegible] previously [illegible] the UK [illegible] of asylum seekers, particularly the practice of [illegible] without trial. After reading the AI paper, I have to [illegible] Britain [illegible] European country in its treatment of asylum applicants.

The [illegible] specifically with the issue of detention, but it is clear that [illegible] practice is pretty well universal. About one country [illegible] we look [illegible] to welcoming [illegible] January, the authors [illegible] "it [illegible] the intention of the Austrian government [illegible] deal with practically all asylum requests [illegible] the person involved is in administrative detention", and "in [illegible] cases the [illegible] not allow asylum seekers [illegible] make a telephone call".

[illegible] samples of continental practice:

- In France, an Algerian policeman [illegible] wife, [illegible] receiving [illegible] threats from the "armed [illegible] movement", were refused [illegible] status on the grounds that "manifestly, they have nothing to fear from the Algerian state".
- In Belgium, lawyers representing [illegible] asylum [illegible] obtained a [illegible] order requiring the government [illegible] give [illegible] hours' [illegible] the [illegible] and time of appeal hearings. The minister of the interior [illegible] he would [illegible] this "absurd [illegible]" all the way on appeal and, if necessary, would bring in legislation to [illegible] it.
- Even in the Netherlands, which has a [illegible] reputation than most, [illegible] refugees [illegible] on the point of being [illegible] back to Togo because the Dutch foreign ministry [illegible] formally that it had contacted the representative of the UN High Commissioner for Refugees in Lome, the Togolese capital, [illegible] con[illegible] Togo [illegible] enough for [illegible] there. UNHCR has no representative in Lome.

European states have all taken measures to make it more difficult for asylum seekers

All European [illegible] have taken [illegible] to make it more difficult for asylum seekers [illegible] countries in the first place. Airlines [illegible] fines if they bring into a country people who do not have the required [illegible] travel documents. Yet [illegible] not have travel documents, and [illegible] countries have imposed visa requirements [illegible] the express purpose of keeping refugees out. Why else would one European country after another, [illegible] mid-1992, [illegible] imposed such a requirement on [illegible] Bosnia-Hercegovina?

Every European state, it seems, now seeks to avoid considering [illegible] of [illegible] asylum application by asking whether there is a "safe third country" to which the applicant could be returned because he/she passed through it on the [illegible] from their country of origin; an asylum claim is supposed to be examined in the first EU state the claimant arrives in. All too often this [illegible] to refugees being bounced back and forth, as each [illegible] to claim they are not its responsibility.

This should [illegible] the Pilate Principle, after its most famous exponent.** [illegible] prevent the reunion of refugee families. You [illegible] that of the Bosnian refugee [illegible] was unable to join his wife and children in Switzerland because he had no passport. Instead [illegible] UK, under a [illegible] for wounded or disabled Bosnians, but after 12 months he had still not been given refugee [illegible], and his wife and children had not been [illegible] join him.***

So far, [illegible] policy have generally made matters [illegible] puts it, [illegible] have shown a tendency [illegible] stimulate [illegible] other in changing their asylum procedures [illegible] reduced [illegible] of protection". Protection of refugees, [illegible] of course, are more concerned to "protect" [illegible] against [illegible] immigrants, and [illegible] "a good asylum procedure [illegible] a 'pull factor' [illegible] would lead [illegible] numbers of asylum-seekers [illegible] try to come to a particular country".

At [illegible] that [illegible] could be allayed if all European [illegible] observe a common minimum [illegible] of [illegible] in their [illegible] of applicants, as AI suggests. [illegible] of tightening up procedures for [illegible] of seeming more attractive to refugees than their neighbours, [illegible] adopt a more liberal approach, secure in the knowledge that their neighbours [illegible] doing [illegible]. That would give [illegible] "European values" a [illegible] positive [illegible].

* *Available from Amnesty International EU Association, [illegible] rue Berckmans, 1060 Brussels.*
** *"When Pilate heard of [illegible], he asked whether the man were a Galilean. And as soon as [illegible] that he belonged to [illegible] jurisdiction, he sent him to Herod..." (Luke 23, 7-8.)*
*** *"Family Reunion", [illegible] Council Factfile #17, June 1994.*

Rulebook written in a modern style

Donald Brash explains the thinking behind New Zealand's planned reform of banking supervision

PERSONAL VIEW

In November 1991, the [illegible] Bank of New Zealand began a review of [illegible] way in which banking supervision [illegible] being conducted. [illegible] had been formally involved in banking supervision for five [illegible], and a review seemed a [illegible] of action. More than [illegible] later [illegible] are finally nearing [illegible] implementation [illegible] different approach.

[illegible] so long? The more we [illegible] matter, [illegible] more complex the [illegible] became. Why should [illegible] a special supervisory regime for [illegible] all? If [illegible] retained a special regime, [illegible] operate it – the central bank, as at present, or [illegible] public [illegible] agency?

[illegible] a great deal of discussion, [illegible] decided that [illegible] are "special" for a variety of reasons, including their unique [illegible] in the payments system, and [illegible] warrant a special legislative or regulatory structure – at least until the risks in the present payments system can [illegible] resolved by moving to a [illegible] time [illegible] system (planned for [illegible] in both New Zealand [illegible] the UK).

We [illegible] relatively relaxed [illegible] continue [illegible] perform banking supervision ourselves, in part [illegible] of [illegible] operating multiple, specialised agencies [illegible] small country.

[illegible] question remained – how best could [illegible] performed?

From an early stage, [illegible] about [illegible] we [illegible] then doing, [illegible] conventional approach [illegible] banking supervision [illegible] on [illegible] minimum capital ratios, [illegible] of confidential information [illegible] lishment of prudential rules.

[illegible] concerned first about the efficiency and compliance [illegible] of banking supervision. In [illegible] suggest that [illegible] costs of complying with prudential regulations can amount [illegible] much as 14 per [illegible] of all [illegible] for some [illegible]. Efficiency [illegible] may be even larger.

We [illegible] concerned also [illegible] the [illegible] the taxpayer. In a country where government does not [illegible] bank deposits and [illegible] is [illegible] no deposit insurance, [illegible] enormous pressure on government to [illegible] depositors if a [illegible] were to fail. Depositors might well argue, for example, that, [illegible] the public [illegible] established the rules within which banks must operate, and had access to vastly more detailed information on bank financial strength than was available to the public, the public [illegible] has a very [illegible] moral obligation to protect depositors in the event of a [illegible] failure.

This might not have mattered, perhaps, if we [illegible] confident that the way in which we conducted banking supervision could significantly reduce the likelihood of bank failure. [illegible] not confi[illegible] this.

[illegible] begin with, [illegible] of our [illegible] of bank financial strength [illegible] on historical information. Almost by definition, bank management had [illegible] any problem [illegible] the return – [illegible] probably [illegible] a year too [illegible] to forestall [illegible] problem.

Second, [illegible] observed that, [illegible] years, [illegible] banking problems which have occurred around the world have [illegible] of either [illegible] very sharp changes in macro-economic conditions, associated with dramatic changes in [illegible] prices.

Banking supervision [illegible] relatively impotent in the face of fraud and [illegible] effective policy instrument [illegible] with dramatic changes in [illegible] prices.

Perhaps [illegible] serious of all, anecdotal evidence began [illegible] that banking supervision by a public [illegible] agency [illegible] reduce the monitoring of bank behaviour by others, many of whom have *primary* responsibility for monitoring banks, namely [illegible] and bank directors.

Indeed, in many cases it seemed [illegible] the more intensive [illegible] supervision by the central bank, [illegible] intensive [illegible] the supervision by [illegible] directors. If [illegible] reflected [illegible] underlying reality, banking supervision might actually increase the risk of bank failure.

[illegible] way [illegible] which [illegible] supervise banks [illegible] following key [illegible]:

- We will continue to register banks – in other words, authorise a [illegible] bank.
- [illegible] retain [illegible] risk-weighted minimum capital ratio [illegible] 8 [illegible] cent. (This is probably not strictly [illegible] with [illegible] philosophy underlying our new approach, but is a practical way of retaining a point of [illegible] with [illegible] international regime in a situation where [illegible] of [illegible] are [illegible] overseas.)
- We will require a high level of public disclosure of [illegible] information [illegible] banks, on a quarterly [illegible], with six-monthly audit, and with directors required [illegible] attest to the [illegible] of that information and to the adequacy of the [illegible].
- [illegible] will require [illegible] banks to [illegible] rating they [illegible] have in their quarterly disclosure [illegible] – and, when they do not have a credit rating, [illegible] that fact.
- We will monitor banks essentially [illegible] publicly-available information (though we will retain the right to seek clarification if publicly-disclosed information is unclear or appears inaccurate).
- [illegible] will remove [illegible] of [illegible] existing prudential rules. (The quarterly disclosure statements will, however, include information on the [illegible] risk concentration in banks' portfolios.)
- We will [illegible] to maintain a capacity [illegible] in a banking crisis, by appointing a statutory [illegible] if necessary, but only for systemic reasons.

[illegible] approach to banking supervision will [illegible] taxpayer risk, although it should [illegible] it. [illegible] will [illegible] eliminate efficiency and compliance costs, although those [illegible] should be reduced.

[illegible] the new approach should substantially increase the incentives on bank management and boards to take full responsibility for the soundness of their own banks and indeed to improve the soundness of their [illegible].

It is easy to dismiss this approach to banking supervision in New Zealand as irrelevant to other countries because such a high proportion of [illegible] banks are owned by large international banks.

I [illegible] the [illegible] case. Given the high percentage of foreign ownership of banks in New Zealand, no system of banking supervision is going to make a huge difference [illegible] of bank failure.

Were more [illegible] finally accountable [illegible] boards the increased incentives on bank directors to behave in ways conducive to the [illegible] of their banks would be of [illegible] greater relevance and benefit.

H[illegible] have [illegible] to this new proposal? Perhaps [illegible] surprisingly, the strongest banks like it. No longer will all [illegible] "made equal" by [illegible] supervision and perceived guarantee; the [illegible] could well be able [illegible] lower [illegible] the weaker.

[illegible] too surprising that some [illegible] of uneasiness about being accountable for the quality of their [illegible] financial information.

[illegible] bank chief executive, expressing [illegible] new approach, insisted vehemently that the central [illegible] had to continue its present [illegible] banking supervision [illegible] "bank directors understand absolutely nothing [illegible] banking".

[illegible] is quite [illegible] about [illegible] bank directors, [illegible] is an element of [illegible] it in [illegible] cases. The blame for [illegible] situation [illegible] certainly lies with supervisors for assuming [illegible] much of the responsibility for the viability of banks.

At [illegible] we [illegible] that our proposals will strengthen the New Zealand financial system, at lower efficiency [illegible] the present regime and [illegible] reduced [illegible] payer [illegible]. We hope to finalise the proposals and implement the new approach by late 1994 or early 1995.

The author is governor of the [illegible] Bank of New Zealand

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters [illegible] should be clearly typed and not hand written. Please set fax [illegible]

No harm from switch to unleaded petrol

From Mr David Parker.

Sir, Dr David Gidlow of Associated Octel (*Letters*, July 11), a major manufacturer of lead additives for petrol, claimed that the switch to unleaded petrol had resulted in an increase in the aromatic content of petrol.

This is certainly [illegible] *of* the UK. Dr Gidlow's own company publishes a survey of gasoline quality which clearly [illegible] that the aromatics content of petrol [illegible] in the UK [illegible] declined [illegible] increased in [illegible] years. In fact, [illegible] *shows that* [illegible] aromatic content of UK premium unleaded petrol sampled in [illegible] year [illegible] which [illegible] available) [illegible] than [illegible] leaded petrol in [illegible], when virtually no unleaded petrol was [illegible].

Certainly [illegible] petrol will contain [illegible] than the average level of aromatics and some will contain less.

However, [illegible] aromatics [illegible] a "sinister threat to health", which I would dispute, it would be the total level [illegible] that would be crucial; and [illegible] level of aromatics has declined, not risen, [illegible] unleaded was introduced. This [illegible] is due [illegible] by the British oil industry in [illegible] refinery [illegible] as isomerisation.

Additionally, as catalytic converters are [illegible] to [illegible] a seventh of all [illegible] and [illegible] all [illegible] any emis[illegible] with aromatics are declining rapidly. There is therefore no [illegible] for Dr Gidlow's claim that the switch to unleaded petrol has resulted in an increase in the [illegible] content of UK petrol [illegible] with aromatics.

David Parker,
director general,
UK Petroleum Industry Association,
9 Kingsway,
London WC2B 6XH

Better value for money for water company customers

From Ms Janet Langdon.

Sir, The suggestion by Joe Rogaly ("Hosing us for all we've got", *July 12*) [illegible] the [illegible] from water price increases since privatisation [illegible] been distributed in dividends is ludicrous. [illegible] as ludicrous is the National Consumer Council's claim in [illegible] report on water prices that [illegible] companies have [illegible] *dividends to shareholders* by an average 68 per [illegible] a year.

The [illegible] of the ten major [illegible] and sewerage companies increased from [illegible] (equivalent) in [illegible] in [illegible] the average increase was [illegible] 12 per cent a year, or 7 per cent after allowing for inflation.

[illegible] *prices in* the *UK have* risen in [illegible] for [illegible] reasons [illegible] only. First, [illegible] the [illegible] on the water companies to [illegible] in quality [illegible] environmental standards [illegible] mainly by European Union directives. Second, because [illegible] under-investment when [illegible] was in the public [illegible].

[illegible] *NCC mentions* [illegible] standards [illegible] industry is investing [illegible] much [illegible] as it [illegible] in profits. Or that two-thirds [illegible] profits are consistently [illegible] to fund part of this capital [illegible] programme.

[illegible] were not [illegible] *prices would* [illegible] *going* [illegible] in [illegible] terms, like [illegible] other utility services.

Ten years ago the average household bill [illegible] and sewerage [illegible] £77. Today it [illegible] £199, an [illegible] per cent. Ten [illegible] invested in [illegible]. [illegible] it was around £3bn, an increase of about 310 per [illegible]. Is this or [illegible] this [illegible] better value for money [illegible] customers?

Janet Langdon,
director,
[illegible]
of England and Wales,
1 Queen Anne's [illegible]
[illegible] SW1H [illegible]

Succumbed to an aberration

From [illegible] K Lamont.

Sir, It [illegible] to [illegible] Michael Prowse, your north American correspondent; [illegible] man [illegible] gone [illegible] ("Why vegetarians will inherit the earth", July 11). It is [illegible] job to report the [illegible] and foibles of the American people, not succumb to them by becoming a vegetarian teetotaller.

His decision [illegible] the [illegible] of meat and alcohol seems to have been brought about by a belief [illegible] he is joining a sect that will grow until it rules the world because of [illegible] longevity, if [illegible] immortality, [illegible] such a diet must assuredly bring. It may be worth reminding Prowse that earlier [illegible] century a teetotal vegetarian thought [illegible] rule [illegible] world. Adolf Hitler [illegible] only spurned [illegible] eating of [illegible] and drinking of alcohol, he was [illegible] anti-tobacco.

Ian K Lamont,
Fairlight Cottage,
Hickmans Lane,
Lindfield,
[illegible] RH16 2PT

G7 must show initiative on African debt burden

From Mr David Bryer.

Sir, Once again the G7 summit [illegible] little [illegible] than utter a [illegible] pious [illegible] when it [illegible] to tackling Africa's debt crisis, which [illegible] greatest [illegible] to human and [illegible] recovery in the region.

The G7 said [illegible] wished [illegible] encourage the Paris Club [illegible] pursue [illegible] to improve the [illegible] and most indebted countries. However, [illegible] woefully inadequate [illegible]. First, repeated rescheduling operations [illegible] Paris Club have done little more than marginally [illegible] at which [illegible] on already *unpayable* [illegible] *accumulating*. Second, there is little sign [illegible] full Trinidad Terms for [illegible] reduction being implemented.

Third, [illegible] the full implementation of the Trinidad Terms would not resolve Africa's [illegible] because, as the World Bank acknowledges, only six (at most) out of the 21 severely-indebted, low-income sub-Saharan countries would achieve a [illegible] debt-servicing position. And, finally, the [illegible] simply [illegible] address [illegible] problem of multinational debt owed [illegible] World Bank and International Monetary Fund which is a [illegible] *the* [illegible] eral [illegible].

In the circumstances, the UK government could [illegible] much [illegible] spearhead a [illegible] debt-reduction initiative. This should include the writing-off [illegible] and [illegible] per [illegible] of all debt [illegible] the amount of debt eligible for reduction [illegible] rescheduling. It could [illegible] insist on [illegible] IMF using [illegible] own [illegible] write [illegible] a [illegible] proportion of the debt [illegible] by African governments. This could be [illegible] by a [illegible] of Special Drawing *Rights.* [illegible] *option* would undermine the financial standing of the IMF, generate global inflationary pressures or [illegible] implications for the public expenditure of northern governments.

Africa's [illegible] *burden* is small in global terms but [illegible] human [illegible]. [illegible] burden [illegible] relieved provided the political will is there. It is [illegible] that the G7 leaders showed [illegible] leadership.

[illegible] Bryer,
director,
Oxfam (UK/I),
[illegible] Banbury Road,
Oxford [illegible] 7DZ

Subjugation issue needs answer

From K A [illegible].

Sir, The letter from Ambassador Pankin (July [illegible]) should at [illegible] have addressed [illegible] original problem [illegible] by [illegible] country's previous leaders, namely the subjugation [illegible] Latvian peoples [illegible] deliberate [illegible] "colonisation" by the injection of non-Latvian permanent residents.

K [illegible] Willson,
Pinedale,
Broomrigg,
Fleet,
Hampshire [illegible]

FINANCIAL TIMES

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Wednesday July 13 1994

Report card on the Tecs

Despite nearly 18 months [illegible] falling unemployment, the issue of jobs and skills remains close to the top of the nation's agenda. The Training and Enterprise Councils, the private sector-led bodies which run UK training, carry an important part of the responsibility for handling the issue with care and competence. As they meet in conference in Birmingham today, the report card – after four years and nearly £2bn per annum of public money – is mixed.

About one quarter of young people leaving Youth Training go straight on to the dole, and less than one-third of adults leave the Training for Work scheme for a job. These programmes are achieving better results than in pre-Tec days, but the results are still not good enough and Tec directors should be pressing their organisations to do better. One reason that they are not doing so is that directors' real concerns tend to lie in the more glamorous, but thinly funded, areas of local economic development and training the already employed.

On the positive side, the message from the survey of Tec directors published in today's Financial Times is that the organisations are developing a sense of their own collective identity, and are thinking their way forward in a [illegible] They [illegible] to recognise, for example, that the problem is not simply a matter of an inadequate supply of skilled people, but also a result of unambitious company strategies which are not placing sufficient emphasis on improving employees' skills. Hence their legitimate interest in economic development and in achieving something akin to the financial and institutional clout of German chambers of commerce. Our Tec survey shows strong interest in compulsory registration of companies with the local Tec, in mergers with chambers of commerce, and in some independent funding via a levy to promote in-company training.

Much of this is not yet on the government's agenda, but persistent pressure from the Tecs could help to put it there. In the meantime, the Tecs are right to call for better incentives to take up Investors in People, now three years old, which acknowledges the connection between skills and the broader world of products and markets. IIP has attracted disappointingly few companies to date, although there has been a welcome pick up in recent months.

Whether [illegible] which regard themselves as devoted to raising [illegible] quality in general, and in-company training in particular, should also have a monopoly in running large-scale training schemes for the unemployed remains an open question. For the time being the arguments for continuity should prevail. Britain's training infrastructure has suffered from too much rapid change and, in any case, the best training providers tend to be organisations which conduct both in-company training and schemes for the unemployed.

Tecs need appropriate public scrutiny – and it is unsettling to see how many private sector directors are opposed to greater openness – but the government should listen carefully to the Tecs' continuing complaints of muddle and bureaucracy. It should also ensure that as the economic recovery becomes better established, the urgency does not seep out of the training debate. The government might, indeed, set an example by bringing forward its own welcome proposals for a modern apprenticeship scheme, along with the consultations on universal training and education credits for 16 to 19 year olds.

Atlantic dialogue

In December 1989, a month after the wall was breached, US Secretary of State James Baker made a speech in Berlin in which, as well as calling for German reunification within Nato, he proposed "a strengthened set of institutional and consultative links" between the European Community (as it then was) and the US.

It was a thoughtful and imaginative speech, which foreshadowed almost uncannily what has become the Clinton administration's policy towards Europe. Yesterday President Clinton was himself in Berlin, for a visit full of symbolism. As the first US president to visit a reunited Berlin, and the last to review a US garrison there, he inevitably struck a triumphal note. But he also held a US-EU summit in Berlin with Mr Helmut Kohl, as chairman of the European Council, and Mr Jacques Delors as president of the European Commission.

This meeting was deliberately staged as the climax of Mr Clinton's third visit to Europe this year. He and his advisers have been working hard to demonstrate that they do have a European policy as well as a Russian policy, and that the two are not completely disconnected. They talk, in a conscious echo of the EU's own phraseology, about "deepening and widening the transatlantic community", sometimes even about the need to build a new one rather than prop up the old. They believe, moreover, that this must involve a strong bilateral relationship between the US and an EU expanding eastward under German leadership.

That was very much Mr Baker's theme. He saw that Nato, even if still essential in an adapted form, could never provide a satisfactory institutional framework for this new transatlantic community. Nato puts too much emphasis on military forces, at a time when military aspects of security are no longer the most immediate or most decisive; and Nato casts the US in more of a dominant role in Europe than it now needs or is willing to play. Europe as such is not represented in Nato.

Yet nearly five years after Mr Baker spoke, work on building this new community has hardly begun. For that the main responsibility lies with Europe. US presidential visits are still treated as a kind of beauty contest, with each European country striving to demonstrate that its relationship with the US is the most "special"; and yet EU members seem to find it easier to agree on free trade with Russia than with the US. In spite of all the sound and fury surrounding Maastricht, Europe has still not endowed itself with the capacity to manage collectively, in a coherent and integrated manner, what is surely its most important external relationship.

Lyonnais losses

Yesterday's French parliamentary report into losses at state-owned Crédit Lyonnais makes sobering reading. The document describes "incompetence, imprudence and lack of seriousness" at the helm of one of Europe's largest banks, which made a net loss of FFr6.9bn last year. Additionally, it identifies contradictions in the French state's role as shareholder. In view of grave past errors by the bank and the regulatory authorities, there is clearly a need for the greatest vigilance on the terms of the rescue package proposed for the bank by the Paris government.

France traditionally has regarded nationalised banks as a way of expanding economic policy muscle. Yet the state generally seems not to have encouraged actively the management decisions leading to Crédit Lyonnais' troubles. On the other hand, the finance ministry failed to carry out its duty to check the build-up of problematic assets from the late 1980s onwards. In its involvement with Crédit Lyonnais, the public sector appears to have reaped the worst of bargains: minimum control and maximum losses.

The difficulties stem from ill-judged corporate loans, property losses, and an unprofitable drive to expand internationally. It would be wrong to blame these problems purely on public sector parentage. As the US savings and loans saga illustrates, there is no shortage of examples of private sector institutions that have had to be bailed out at the cost of the taxpayer, after suffering large losses from imprudent activities.

Yet the cloying relationships in the French governmental establishment may have contributed to the excessive amount of leeway given to Mr Jean-Yves Haberer, a former director of the French treasury, who headed Crédit Lyonnais up to last year. Top French civil servants can over-estimate their ability to circulate faultlessly among public sector jobs. In a more transparent system, Crédit Lyonnais' mistakes might have been corrected in a more timely fashion.

The question now is how the bank can rebuild its balance sheet and profitability. Mr Jean Peyrelevade, the bank's new chairman, has launched a radical programme of cost-cutting and asset sales. He has orchestrated a large package of public sector aid, including FFr3.5bn in direct government capital injections. The European Commission has indicated it will closely scrutinise the measures for possible breaches of competition rules. Brussels must make clear that it will approve help for the bank only if it is accompanied by measures likely to secure eventual privatisation. Restoring Crédit Lyonnais' fortunes will require hard decisions. The pity is that they were not made earlier.

FT writers examine the integrationist agenda of Ukraine and Belarus and Russia's possible response

Three into one might go

In choosing their new presidents, the citizens of Ukraine and Belarus have indicated two preferences. First, they have opted for relatively fresh faces as head of state, who might plausibly offer release from economic and political collapse and who can claim not (yet) to be corrupted by power and its pickings. Second, they have indicated that they favour a strategy of integration with Russia.

The terms of this approach have yet to be defined but, if pursued, a union of the three former Soviet Slav states could emerge. This idea has been lurking in the background since their leaders created the nucleus of what became the Confederation of Independent States in December 1991. Its time, many believe, may have come again.

Though President-elect Leonid Kuchma of Ukraine and President-elect Alexander Lukashenko of Belarus may prefer this agenda, it will be Russia which sets the pace. It is not yet clear how strong is Russia's desire for union. While the first two countries can claim – and sometimes do claim – to be central European, Russia's concerns sprawl out to the east. It is deeply committed economically, politically and militarily in central Asia and the Caucasus to its south and east.

The [illegible] political class is [illegible] Mr Victor Chernomyrdin, Russian prime minister, appears to want a union with at least Belarus at almost any cost. On a trip to the capital, Minsk, two weeks ago to support Mr Vyacheslav Kebich, the head of parliament [illegible] for the presidency, regarded as a foregone conclusion, [illegible] to humiliating [illegible], he promised that a draft treaty on economic union would be ready by the end of this month.

But Mr Alexander Shokhin, the deputy [illegible] charged with producing this [illegible], has been cautious and ambiguous. He has emphasised the "many problems" in [illegible] two states' currencies and in concluding a union of the two central banks, which [illegible] see Belarus again become, economically, the north-western province of Russia it was in Tsarist and Soviet times. Belarus baulks at destroying the core institutions of its economic sovereignty, and wants to exchange its currency, trading at one-tenth of a rouble, at one [illegible] one. [illegible] harassed economic managers know that to cede these demands would drive a hole through their hard-won achievement of relatively low inflation.

The choice for Russia is between economic reform at home and concentration on the emotive national feelings which find a focus in the 25m ethnic Russians outside Russia's borders, many of whom want to be reunited with their homeland.

The slav states: closer and closer

- 1922: Bolsheviks form USSR, which includes Russian Federation, Belarus and what is now eastern and central Ukraine.
- 1944: USSR gains western Ukraine.
- 1954: Krushchev "gives" Crimea to Ukraine.
- Dec 1991: Ukraine votes for independence and elects Kravchuk as president.
- Dec 1991: Russia, Ukraine and Belarus decide to dismantle Soviet Union and establish CIS, whose core members are the three Slav republics.

Kuchma: UKRAINE

Yeltsin: RUSSIA

Lukashenko: BELARUS

Dr Alexei Arbatov, a strategic specialist, says the present Russian ruling elite is vulnerable because "it came to power as a result of the break-up of the Soviet Union which made millions of Russians homeless against their will". Eleven million of the 25m expatriate Russians live in Ukraine and make up the majority in the Ukrainian province of Crimea – where they are agitating for a status close to independence.

Russian polls continually show the popularity of integration, and of those politicians who speak for it – from radical economic reformer Gregory Yavlinsky on the democratic side, to Vladimir Zhirinovsky, the ultra-nationalist deputy, on the totalitarian one. Ethnic and religious closeness, [illegible] the independent statehoods of Ukraine and Belarus, great-power pride – all have a part to play in the Russian mood.

But [illegible] reunion could be disappointed with Ukraine's new president. Although Mr Kuchma campaigned for a friendlier co-existence with Russia, along the lines of Austria's relationship with kindred Germany, he is no supporter of an Anschluss.

Nonetheless, Mr Kuchma's election is likely to usher in a honeymoon in the often querulous relations between Moscow and Kiev. For a start, Mr Kuchma is on kissing terms with his fellow former industrialist and Kremlin power-broker, Mr Chernomyrdin. Their friendship should [illegible] a further boost from Mr Kuchma's conciliatory stance on the issues which have [illegible] deeply divided Ukraine and Russia over the past months: the contested Crimean peninsula, whose citizens backed the new Ukrainian president, and the Ukrainian half of the Black Sea fleet, which Mr Kuchma is willing to sell to Russia.

Other hard [illegible] in [illegible] Ukraini-[illegible] relationship, particularly Kiev's [illegible] policies, which dictate that exporters must surrender half of their earnings to the [illegible] an artificially low [illegible] of exchange, are also likely to be softened with Mr [illegible] victory. The shift is likely to be one of style as much as substance. In [illegible] to Mr Kravchuk's administration, which had an unfortunate [illegible] to view Russia as a hungry wolf ever plotting to devour vulnerable Ukraine, Mr Kuchma sees a warm relationship with Russia, upon which it is utterly reliant for gas and oil, as his nation's only way out of its economic duress.

But for all his goodwill, Mr Kuchma is likely to discover [illegible] drawing the Russian [illegible] into [illegible] close an embrace is a risky business. For one thing, he must take care not to [illegible] fiercely nationalistic western Ukraine, an effort he has already begun with his increasing use of the Ukrainian language in public appearances and initial conciliatory calls for "unity" upon his electoral victory.

Moreover, despite his desire for [illegible] economic [illegible] with Russia, Mr Kuchma himself has [illegible] he will not pay the price of surrendering real sovereignty. On the campaign trail, he rejected the idea [illegible] abandoning Ukraine's separate currency in favour of joining the [illegible] zone, "because that would mean the end of our independence".

The danger is that Mr Kuchma, and many of his supporters in eastern Ukraine, have a perilous inclination to want to have their cake and eat it. In the depressed industrial cities of the east, Mr Kuchma's winning slogan of closer economic ties with Russia tapped into nostal-[illegible] for the halcyon days of the Soviet Union, when cheap Russian oil and Soviet factory orders made Ukraine's industrial heartland a relatively prosperous region. But those days are over: if it is to prosper, Ukraine, too, must reform its own economy rather than look for a saviour from the east.

The outlook for integration [illegible] different in neighbouring Belarus, once the most biddable [illegible] states but now ruled by a firebrand. Mr Lukashenko, most [illegible] whose professional life has been spent managing collective farms, was a member of parliament who, as head [illegible] a [illegible] corruption, made a [illegible] allegations against [illegible] ministers [illegible] they were corrupt. In the course of his campaign, he claimed [illegible] was [illegible] attempt [illegible] him which the [illegible] said he had [illegible] himself. His one public appearance in Moscow was under the auspices of Mr Zhirinovsky, whose Liberal [illegible] party yesterday congratulated [illegible] people on their good fortune for having him as a leader.

On Russia he has been super-integrationist, unlike Ukraine's more independent-minded Mr Kuchma. He [illegible] the only deputy to vote against the creation of the CIS in 1991 because it destroyed the Soviet Union, and he has said that an economic union with Russia should [illegible] complemented by a political one. At [illegible] same time, his programme says he will "substantially increase" the independence of the central bank of Belarus, and initiate a "regime of [illegible] management of [illegible] enterprises" – [illegible] wholly [illegible] of kilter with [illegible] economy's [illegible] to Moscow.

Mr Lukashenko, [illegible] short, [illegible] either no idea what to do, or too many ideas. He expresses the very [illegible] disgust [illegible] Belarussians over their inert and allegedly [illegible] rupt government – but he gives little indication how he means to do better.

He would seem to be an exotic post-communist flower – produced suddenly, with the hectic bloom of [illegible] ultra-reformer, claiming [illegible] of an aggrieved people. His [illegible] and campaign were unconstrained and vivid against the greyness of Belarussian politics: [illegible] he, [illegible] Mr Kuchma in Ukraine, inherits one of the most constrained posts of any contemporary state.

Report by John Lloyd in Minsk, Chrystia Freeland and Jill Barshay in Kiev

'I am just a number . . .'

Andrew Adonis asks if a UK identity system is creeping in

They seek him here, they seek him there, those Frenchmen seek him everywhere.
Is he in Heaven, is he in Hell? That damned elusive Pimpernel.

The Scarlet Pimpernel had fled to the UK, of course, [illegible] are no national identity cards [illegible] uncloak him. But for how much longer will his hideaway be safe?

Mr Eric Howe, data protection registrar, believes the UK is slipping towards a national identity regime. This is the result, he says, not of a formal policy but of the growing use of identification numbers and cards for purposes other than those originally intended, without any public debate as to the merits of such a course.

[illegible] most immediate and serious threat he sees is the plan to put photographs on driving licences issued from 1996. If that happens, Mr Howe argues driving licences might become a general means of identification. He cites California, where the state government has started issuing "non-driver driving licences" for that purpose.

Mr Howe highlights another significant trend: the growing use of National Insurance numbers for non-insurance purposes. NI numbers were originally used for keeping track of insurance contributions and benefits. Now they are also used [illegible] income [illegible] and, more recently, for personal equity plans and tax-exempt savings accounts. Further, "child reference numbers" are now issued for the payment of child benefit. The number, conferred at birth, becomes the individual's NI number at the age of 16. It is easy to see NI numbers becoming, in effect, national identity numbers.

At the same time, the social security department is considering using "swipe" cards – similar to bank cash-machine cards – to replace benefits payments books. There is also the possibility of National Health Service numbers spreading beyond the NHS.

These trends alarm Mr Howe, who is about to retire after 10 years as data protection watchdog. He says the dangers are "too fundamental for the UK to allow itself simply to slip into having a *de facto* national identification system without the necessary restrictions and safeguards".

Should we be concerned at the rise by stealth of national identity [illegible] and [illegible] The case against identity cards has traditionally focused on their implications for the citizen's relations with the police. Identity cards used during the second world war were discontinued in the early 1950s, after Lord Chief Justice Goddard ruled that obliging citizens to produce cards "tends to make people resentful of the acts of the police and inclines them to [illegible] the police [illegible] them".

The registrar believes individuals should have control over access to personal financial details

[illegible], however, [illegible] moving to [illegible] implication [illegible] national identity numbers – not [illegible] – for the way personal information on individuals is treated.

Mr Howe is already in dispute with the financial services industry about the transfer of personal financial details between credit organisa-[illegible] without [illegible] consent [illegible] the individual concerned. The industry argues that such disclosure is essential [illegible] prevent fraud; [illegible] believes that in most cases individuals should have control over access.

Civil [illegible] groups [illegible] access to, for instance, social security records could spread in a similar way through a national identity system.

The experience of Sweden is a salutary warning. "[illegible] identity numbers" (PINs), which Sweden has had since 1947, are now used in virtually all public transactions, from health and tax to banking and nursery waiting lists. "You need them for everything, and to change your number you [illegible] a [illegible] change," [illegible] Ms Anitha Bondestam, [illegible] data inspection board, a state regulator.

Ms Bondestam [illegible] assigning all-purpose numbers to individuals poses a "serious threat" to civil liberties. She cites a 23-year-[illegible] woman who recently had a care order imposed on her two-year-old son on the grounds that she was a drug abuser. After much anguish, it turned out that a drug abuser had consistently been using her [illegible] in dealings with the police and hospitals – "and nobody challenged it because the number was correct".

Ms Bondestam says: "The use of these numbers has been taken too far, without us quite understanding how it all came about." She argues that numbers are rapidly taking the place of [illegible] "The bank, [illegible] insurance [illegible] and the national [illegible] want [illegible] have contact with their customers because, through [illegible] numbers, automation is much [illegible] trouble. So now if we walk into a bank, we feel like intruders."

Sweden is trying [illegible] row back. [illegible] legislation will [illegible] the use of identity numbers, notably by the financial services industry, [illegible] plans are under way for a privacy law.

That may go some way to allaying the concerns, but not necessarily slow the spread of information. After all, the transfer of data, electronically or otherwise, does not require cards or PINs. Plain old names and addresses are quite good enough.

OBSERVER

Maximum factors

■ Nelson Mandela has probably been waiting for this all his life. The final accolade; the ultimate triumph; the crowning glory. He is – wait for it – "the international figure with the highest Factor X rating".

Admittedly, he still comes below Haagen-Dazs (an ice-cream), Sol (a beer), Jack Nicholson (an actor) and the Scottish Highlands (a geographic location). But he beats Hillary Clinton (a lawyer), Body Shop (a perfumier) and Nintendo (a torture).

What precisely is "Factor X"? Mazda Cars (UK) has found itself with time on its hands from selling cars and decided to commission a piece of unusually profound market research. "In order better to understand what consumers were saying about Mazda, we needed to clarify two things: what 'a Nineties feel' is, and what other things, people and places have it," says the company.

So Mazda bought the services of a social psychologist to interpret some "qualitative research group discussions". This has given rise to some startling insights. "Something with Factor X certainly has 'je ne sais quoi' and has undoubtedly got 'it'."

Beyond that, not much. Mazda tells us sausages have least Factor X of all food, while Essex is bottom of the list for places.

Funnily enough, Mazda is narrowly beaten into second place (by Mercedes) in the top 10 list for cars, with poor old Ford at the bottom.

Family matters

■ The death of Sir Kenneth Kleinwort, 59, means that another of the City's merchant banking dynasties is nearing its end.

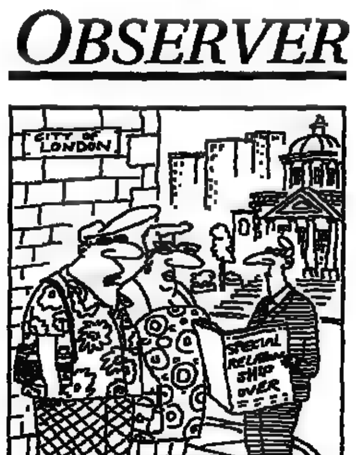
Sir Kenneth, son of Ernest Kleinwort, started work at the bank in 1955 and although he never carried the same weight in the City as his father, he remained the nominal head of a widespread family which is said to control up to 20 per cent of one of the City's more vulnerable merchant banks.

The family will continue to be represented on the board by David Peake, the former chairman who is married to Susanna Kleinwort, and David Benson, a member of the other founding family, remains a non-executive director.

However, it is most unlikely that there will ever be another Kleinwort on the board of Kleinwort Benson.

Overdone

■ Is Germany being wholly up-front about its threatened ban on British beef because of "mad cow disease"? Some of its ministers seem to be rather partial to the stuff, even in an election year.



'We've come to sneer at your beefeaters'

At a ministerial dinner in Dortmund City Hall on Saturday night, hosted by employment and social affairs minister Norbert Blum for his EU colleagues, beef was definitely the flavour of the evening.

First course: Fillet of beef Carpaccio. Third course: Fillet of Angus beef.

The Dortmund Rathaus catering staff were under strict instructions not to comment on the source of the fare.

The German-British Chamber of Commerce, meanwhile, had no such inhibitions about identifying the nationality of the fillet steak served at its annual dinner at the [illegible] last [illegible]

It was British. Well, it would be mad to miss that opportunity, wouldn't it?

Don't call us

■ Given all the hype about the wonders of global communications, making an international telephone call ought to be getting easier. Yet a growing number of organisations in the US seem intent on taking a giant step backwards by installing electronic switchboards which tell callers to punch in the name of the person they wish to speak to "using the letters on your telephone".

The result is to render incommunicado callers from Britain and many other parts of Europe, where letters disappeared from telephone dials years ago. Odder still, the European Commission's Washington office has taken to using one of the machines. Has it gone native? Or does nobody from Europe ever try to call?

Not in the club

■ Surely there are enough professional bodies of accountants in the UK? The DTI obviously thinks not for it has just announced that members of the Gateshead-based Association of International Accountants are now authorised to carry out audits.

No doubt, concern about spreading the cake too thinly is at the root of the [illegible] noises coming from rivals.

Perhaps they should not worry [illegible] much. [illegible] AIA's own auditor, Francis Hoogewerf who is a member of the AIA, has decided not to apply to be registered under the new auditing regulations in the UK. He has therefore had to be replaced by a firm of chartered accountants, BDO Binder Hamlyn.

Hunger assuaged

■ Some of the more sensitive hacks at The Economist have been shaken by the opening photograph in the weekly mag's latest annual report. It carries a caption reading "Our staff are our backbone" and shows a clean-shaven youth, who could easily be mistaken for a journalist, carrying a placard, "I will [illegible] for food".

Pointer

■ As the country hunkers down for round five in the Great British rail strike, a copy of the latest British Rail timetable has landed on Observer's desk. Passengers will not be pleased to find that the chairman of Railtrack is listed as Sir Robert Horton.

Surely he's supposed to get his K after he's beaten the striking signal staff into submission, not before?

FINANCIAL TIMES
Wednesday July 13 1994

Clinton echoes Kennedy in Berlin

US president tells Germans: 'America stands on your side, now and for ever'

By George Graham in Berlin

Standing in the shadow [redacted] Brandenburg Gate, where the Berlin Wall once divided [redacted] from west, President Bill Clinton yesterday [redacted] in [redacted] footsteps [redacted] his [redacted] John F. Kennedy.

"Nichts wird [redacted] aufhalten. Alles ist möglich. Berlin ist frei," Mr Clinton proclaimed, telling his German audience that "Noth[redacted] can stop [redacted]. Everything [redacted] possible. Berlin is free."

[redacted] *gesture* [redacted] *self-consciously* echoed Mr Kennedy's [redacted] *addition of* [redacted] famous "Ich bin ein Berliner" phrase to his speech 31 years ago, Mr Clinton wrote the words into the text by hand on [redacted] Brandenburg [redacted].

Mr Clinton's sally into German – *his sixth foreign* language in [redacted] week-long trip – [redacted] higher level of grammar than his boyhood hero, whose addition of the word "ein" changed him from a Berliner to a doughnut.

But it failed to pierce Berlin's present day indifference to pomp and ceremony. "Er ist kein Kennedy," retorted an unimpressed Berlin taxi driver, suggesting of *Mr Clinton* that [redacted] no Kennedy".

While Mr Kennedy brought a promise of US support in difficult *times, the only concrete promise* that Mr Clinton could bring was more modest, the construction of a new American embassy in Berlin.Perhaps of more significance, Mr Clinton *promised* that US backing for Germany would not end with the demolition of the Berlin Wall: "America stands on your side, now and for ever."

Police estimates put the crowd at 150,000, but to many observers at the scene it appeared much smaller, and some White House [redacted] admitted they [redacted] disappointed by the [redacted] lack [redacted].

Mr Clinton's promise of US support carried [redacted] *particular significance* on the day that he pre*sided over* the final *US military* parade in Berlin.

The Berlin Brigade – the name the US military occupation forces have adopted for the last 33 years – furled its colours [redacted] the last time in [redacted] ceremony at the city's McNair Barracks. But the Brigade's servicemen seem less sure than the president or Mr Kohl that their presence [redacted] no longer required.

"I hope we don't have to come back here and do it all over," said Sergeant [redacted] Ruiz, with [redacted] glance [redacted] his shoulder to [redacted].

Meanwhile, the US and European Union agreed in Berlin yesterday [redacted] establish a working *group on the integration of the* countries of central and eastern *Europe into western security and* economic institutions.

The plans for the working group follow [redacted] from [redacted] that [redacted] lines of communication on [redacted] had been inadequate.

Power transfer in Korea still [redacted] puzzle

By John Burton in Seoul

Kim Jong-il: [redacted] control

The [redacted] Mr Kim Jong-il [redacted] North Korea's [redacted] *leader appears to be* proceeding smoothly, South Korea's intelligence *chiefs said* yesterday.

But other government officials and *diplomats* in Seoul readily admitted such predictions were [redacted] mainly on guesswork.

"We [redacted] what [redacted] going on in North Korea. [redacted] rely heavily on [redacted] media [redacted] tell [redacted] happening," a western diplomat said.

Analysts were busy examining [redacted] pictures from Pyong[redacted] of Mr Kim's first public [redacted] week of his father, President Kim Il-sung.

When he attended a lying-in-state ceremony on Monday evening, close attention was paid to the ranking order of 100 senior officials who accompanied Mr Kim. [redacted] to determine if he had won [redacted] support [redacted] ruling Korean Workers' party, the military and the government for his succession.

[redacted] Korean [redacted] concluded Mr Kim's assumption of power was complete, *as he was* flanked by the head of the military, *Mr O Jin-u,* and Mr Kang Song-san, the prime minister.

But there *is still speculation* that Mr Kim may have difficulty *retaining power because he is* believed to [redacted] opposed by [redacted] conservative military leadership and other old guard elements who supported his father.

A test of whether he faces a power struggle could come this week or next when the ruling party and the North Korean parliament select [redacted] new general secretary and president.

If the 52-year-old Mr Kim is elected to both positions, [redacted] would indicate his control over North Korea is secure. But if [redacted] must give up the nominal position [redacted] president to another senior official, it would suggest he has not completely established his authority.

[redacted] Korean [redacted] *other reasons for their belief that* Mr [redacted] transition [redacted]. One intelligence [redacted] China, North Korea's closest ally, *was making efforts to ensure that* [redacted] political [redacted] Pyongyang remained stable.

[redacted] Deng Xiaoping, China's [redacted] leader, [redacted] earlier given his approval [redacted] Mr Kim [redacted] over [redacted] leadership [redacted] North [redacted]. This could persuade [redacted] North Korean old guard [redacted] support him as his [redacted] Mr Kim has been criticised for lacking [redacted] of his [redacted] olutionary background.

[redacted] prime minister expressed confidence [redacted] Kim would [redacted] policies [redacted] father in resolving [redacted] dispute [redacted] the North's nuclear [redacted] by holding [redacted] and South Korea.

German troops cleared to join UN actions

Continued from Page 1

German military personnel in three *UN-sanctioned* operations outside the Nato area – the aerial *surveillance by Awacs aircraft of* the "no-fly zone" in Bosnia; the *involvement of a German frigate* in enforcing the UN embargo on *former Yugoslavia in the Adriatic;* and the attempt to enforce *peace in Somalia, from which* Germany has now withdrawn.

In each case, the court concluded that the exercise did not contravene the German constitution, but it called for the two exercises in former Yugoslavia to be sanctioned retrospectively by the Bundestag, the lower house *of parliament.*

[redacted] Kohl [redacted] *comed the judgment as confirmation* [redacted] the government's deliber*ate policy of stepping up its* involvement in UN missions, but *hastened to say it would not necessarily* [redacted] to [redacted] abroad. "We will decide on a case by case basis," he said at a press [redacted] in Berlin with Mr [redacted].

[redacted] Mr [redacted] said: "I am completely comfortable with this [redacted]." *He praised Germany's* leadership, and its commitment *to European* [redacted].

Mr [redacted] Scharping, [redacted] *leader of the SPD,* [redacted] decision both [redacted] the uncertainty, [redacted] requiring democratic legitimation – through [redacted] Bundestag – *for* [redacted] *future exercise.*

Dollar falls to new lows

Continued from Page 1

province of [redacted]. *He received support for his views* from the release of the June pro*ducer price index data. The PPI,* excluding the volatile food and [redacted] *components, fell* by 0.1 [redacted] cent in June – well [redacted] *market expectations.*

Bolstering this impression was a decline in the prices component [redacted] the Atlanta Fed's diffusion index.

A further fillip for the US economy came with a downward revision of the deficit for fiscal 1994 ending September [redacted]. Mr Leon Panetta, the White House budget director, said the deficit would be $220.1bn compared with February estimates of $234.8m.

Mr Panetta said the figures showed the Clinton economic programme to be a "remarkable success, reducing the deficit for two years in a row for the first time in two decades". He noted that the deficit had been cut in half as a percentage of income, from 4.9 per cent in 1992 to a forecast 2.4 per cent in 1995.

Europe takes softer line on US film and TV

Continued from [redacted] 1

European Union legislation means broadcasters have to have a majority of European programme content where practicable.

Although Commission officials concede privately that quotas are difficult to enforce, the official line – at least until now – has been that quotas are necessary to protect European culture and to nurture the audiovisual industry. Mr Büscher's comments [redacted] to indications that the Commission [redacted] willing [redacted] consider changes [redacted] broadcasting [redacted]. He added, [redacted] movement for American programmes would, have [redacted] balanced by measures to support the European film and television industries.

The Commission approach to creating an "information [redacted]ety" [redacted] stimulate practical applications using existing funds rather than seeking a single solution, Mr Büscher.

The Commission is expected to announce an [redacted] plan [redacted] week designed to implement the main recommendations of the Bangemann report on the information society. These range from teleworking and distance learning to [redacted] creation [redacted] networks for [redacted] and [redacted] and healthcare to a trans-European public adminis*tration network.*

THE LEX COLUMN

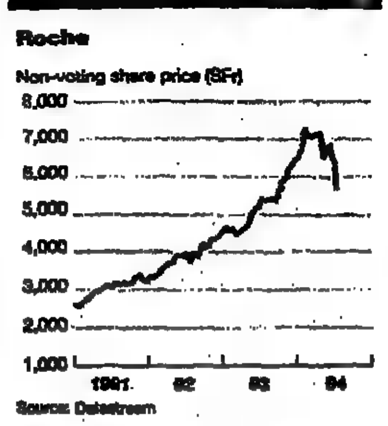
Crédit in debit

The French banking industry [redacted] shocked at the depth of Crédit Lyonnais' problems and the scale of the rescue package announced earlier this year. Unfortunately, it now appears that the bank's prospects are even grimmer than outlined then. Yesterday's report into the state-controlled bank is a corporate horror story of reckless managers and negligent owners. *But the most worrying aspect is* the chairman's suggestion that there *is more bad news to come.*

It had appeared that Mr Jean Peyrelevade had quickly got a measure of the bank's problems after taking control last November. But Crédit Lyonnais is now certain to incur further big losses in the first half of this year. That only increases the need and urgency to raise fresh capital to shore up the bank's solvency ratios. The likelihood of rights issues at discounts to book value will dilute the returns available to existing shareholders.

At some point, though, a strong recovery story could emerge. It would *be folly to buy Crédit Lyonnais shares* while the scale of provisioning is unknown. *But as the Swedish banking* sector illustrates, sentiment can swing *astonishingly quickly once* hard evidence emerges that the worst is past. Crédit Lyonnais has a solid retail banking franchise in France. It has bought some sound businesses abroad – even if it paid too much for them – [redacted] controls an $11bn portfolio [redacted] industrial holdings. As [redacted] massively-geared bet [redacted] European recovery, Crédit Lyonnais may one day have its [redacted]. But before then, existing shareholders – and French taxpayers – will have much pain to endure.

FT-SE Index: 2963.9 [redacted]



Currencies

Even good news on inflation is now seen as an excuse to sell the dollar. Yesterday's better than expected data on US wholesale prices were taken to mean that there was even less chance of speedy action from the Federal Reserve to raise interest rates. It could be argued that, with few inflationary signs, there is also less need for such action. But currency traders are having a field day given the White House's apparent indifference to what happens to the dollar. Moreover, even if inflation seems under control, worries remain over the yawning US trade deficit.

The quickest way to bring the dollar *slide to an end would be a cut in* German interest rates balanced by a *rise in US rates. In their absence,* markets seem determined to drive the currency below DM1.50 and Y95. But if the fall continues much below those *levels, dollar assets will start to look* cheap. Following [redacted] recent rally in European bond markets, [redacted] *Treasuries* are yielding three-quarters of a *percentage point more* than German bunds. The spread is probably still not sufficient to tempt international investors to buy US assets, but that point cannot be too far away.

Meanwhile, sterling has been caught [redacted] cross-fire. [redacted] long as it [redacted] merely the innocent bystander, there [redacted] little [redacted]. The [redacted] depreciation vis-a-vis the D-Mark will enhance industry's competitiveness in its main European export markets, while the earlier appreciation against the dollar should cushion any inflationary impact from higher commodity prices. Policymakers will only have to worry should currency markets [redacted] focus on [redacted] trade deficit.

Roche

[redacted] announcements from Roche [redacted] been a cause for [redacted] for so long that yesterday's disappointing half-year [redacted] figures came as something of [redacted] shock. [redacted] growth in pharmaceuticals slowed dramatic*ally in the second quarter,* underlining the point that Roche is not immune to the pressures *afflicting its peers.* After yesterday's 5 per cent slide, the non*voting shares stand 20 per cent below* the peak reached in early February. *On the surface,* Roche looks in danger of losing the magic ingredient which made it the world's most highly valued drugs company.

Yet pharmaceutical sales growth of 9 per cent for the first half as [redacted] whole is well above the industry average. If that rate can be sustained – which seems perfectly possible given the one-off problems encountered in the second quarter – Roche will still deserve a premium rating. Its position [redacted] essential hospital drugs affords [redacted] protection [redacted] the price competition causing havoc elsewhere. A group straddling [redacted] and diagnostics is [redacted] in prescription drugs.

These long-term [redacted] Roche's favour do not preclude a further period of weakness for the shares. Financial income, which accounted for around one-third of last year's profits, will be more difficult to achieve [redacted] falling bond and equity [redacted]. Although [redacted] on paper, [redacted] $5bn acquisition of US drug company Syntex, announced in May, must prove its worth. Even [redacted] yesterday's closing price, [redacted] at [redacted] heady premium to other drug company shares. *The market may still be asking* too much.

Construction orders

The UK environment department's monthly construction figures are invariably distorted by lumpy [redacted] and [redacted] blips. But the underlying theme from May's figures [redacted] to [redacted] encouraging spread [redacted] activity [redacted] parts [redacted]. There had [redacted] worries [redacted] last year's [redacted] activity had tailed [redacted] spring. [redacted] abounded [redacted] public infrastruc[redacted] spending would fall [redacted] private sector investment took up the slack. But the latest figures suggest spending [redacted] private industrial contracts in the three months to end-May was 33 per cent up on the previous year while private commercial activity was 29 per cent higher.

There are other grounds for optimism too. Most construction figures solely relate to new [redacted] but repair [redacted] maintenance work, [redacted] accounts for a fair chunk of output, *also appears to be strong.* An 8 per cent rise in cement sales this year and *anecdotal reports* from housebuilders suggesting there is a shortage of the posher types of bricks certainly point that way. So far, most of the benefits have accrued to the building materials suppliers. It will be more difficult for contractors to build margins while over-capacity and pricing pressures remain.

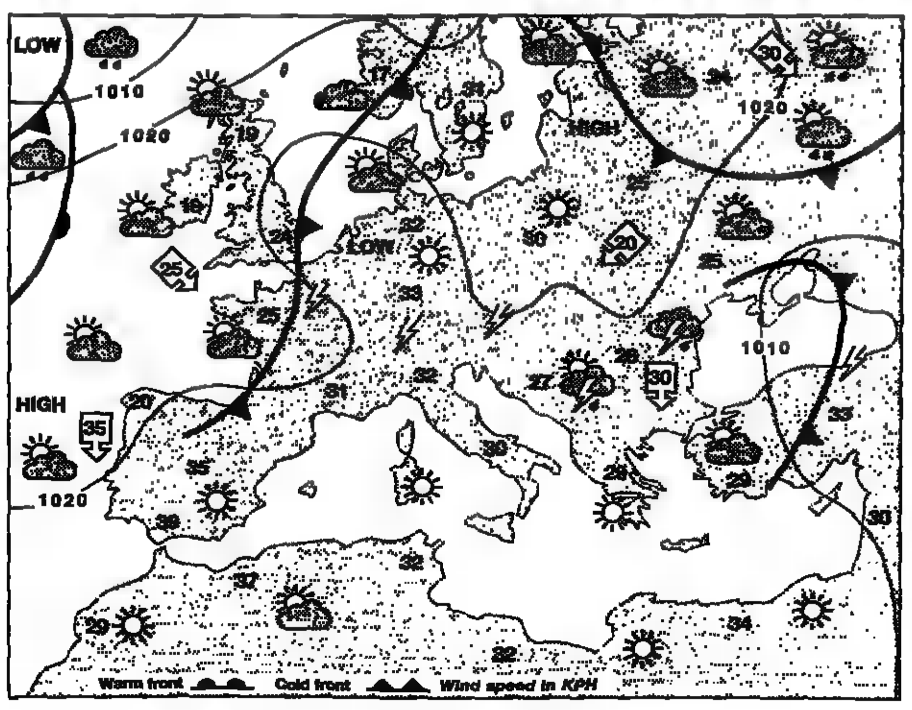
FT WEATHER GUIDE

Europe today

High pressure extending over the Baltic states and Russia will *mean* [redacted] *sunny and warm day* for most of Europe. Temperatures around 30C will be common from central Poland to northern and central France. However, the Alps and the Balkans will be cooler. Scattered thunder showers will form over northern France, Switzerland, Austria, Croatia, *Bosnia*, Hungary, and Romania. The Benelux, Germany and Poland will have frequent sunny spells. The *Russian interior will also* see showers. *Sunshine* and seasonal temperatures will prevail over Portugal, Spain, *southern France* and Italy. Crete and Cyprus will be cloudy. A cold front over southern Scotland and western England will bring rain and drizzle.

Five-day forecast

Warm continental air will flow away from France, Belgium, the Netherlands, and Germany. Storms are expected in Germany and the *Alpine* countries on Friday and Saturday. Sunny spells will be frequent in the UK, with *occasional* showers on *Thursday and Friday.* Scattered thunder storms will form close to the *Mediterranean in northern Spain and in* southern France.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius						
			Beijing	cloudy	30	Caracas	thund	[redacted]
			Belfast	fair	19	Cardiff	cloudy	[redacted]
Abu Dhabi	sun	41	Belgrade	thund	26	Casablanca	fair	[redacted]
Accra	shower	29	Berlin	fair	31	Chicago	fair	[redacted]
Algiers	sun	32	Bermuda	shower	30	Cologne	sun	[redacted]
Amsterdam	sun	30	Bogota	shower	16	Dakar	fair	[redacted]
Athens	fair	30	Bombay	rain	30	Dallas	sun	[redacted]
Atlanta	thund	31	Brussels	sun	30	Delhi	shower	[redacted]
B. Aires	sun	12	Budapest	cloudy	31	Dubai	sun	[redacted]
B.ham	rain	22	C.hagen	sun	26	Dublin	fair	[redacted]
Bangkok	shower	30	Cairo	sun	34	Dubrovnik	fair	[redacted]
Barcelona	sun	27	Cape Town	sun	18	Edinburgh	cloudy	[redacted]

Faro	sun	30	Madrid	sun	34	Rangoon	rain	30
Frankfurt	sun	33	Majorca	sun	32	Reykjavik	rain	13
Geneva	sun	32	Malta	sun	30	Rio	fair	18
Gibraltar	sun	29	Manchester	thund	20	Rome	sun	30
Glasgow	fair	20	Manila	rain	30	S. Frsco	sun	21
Hamburg	sun	32	Melbourne	shower	14	Seoul	fair	32
Helsinki	sun	28	Mexico City	shower	22	Singapore	cloudy	32
Hong Kong	fair	33	Miami	fair	32	Stockholm	sun	29
Honolulu	fair	32	Milan	sun	32	Strasbourg	sun	33
Istanbul	shower	27	Montreal	sun	25	Sydney	cloudy	17
Jakarta	fair	31	Moscow	fair	24	Tangier	sun	32
Jersey	drzzl	19	Munich	fair	29	Tel Aviv	sun	30
Karachi	fair	32	Nairobi	fair	22	Tokyo	fair	32
Kuwait	sun	45	Naples	sun	30	Toronto	fair	24
L. Angeles	sun	26	Nassau	fair	32	Vancouver	sun	27
Las Palmas	sun	28	New York	fair	34	Venice	shower	29
Lima	cloudy	18	Nice	sun	28	Vienna	thund	27
Lisbon	fair	28	Nicosia	fair	33	Warsaw	sun	30
London	fair	27	Oslo	sun	26	Washington	fair	34
Lux.bourg	sun	31	Paris	thund	29	Wellington	fair	10
Lyon	sun	33	Perth	shower	17	Winnipeg	shower	24
Madeira	fair	25	[redacted]	fair	29	Zurich	fair	28

FINANCIAL TIMES
COMPANIES & MARKETS
[illegible] FINANCIAL TIMES LIMITED [illegible]
Wednesday July 13 1994

IN BRIEF

Roche warns of slower growth

Roche, the Swiss pharmaceuticals and chemicals group, yesterday warned that sales growth during the second half of 1994 would be slower than in [illegible]. However, Roche said that, barring unforeseen circumstances, profits for the year as a whole would show an increase.
Page 20; Lex, Page [illegible]

French bank announces Fnac sale terms
Crédit Lyonnais, the troubled French bank, yesterday announced the terms of its FFr1.9bn ($359m) deal to sell a controlling stake in Fnac, the French music and book retailer, to Mr François Pinault, the entrepreneur. Page 20

Olivetti link-up for self-service ticketing
Docunet, a California-based company developing a system for electronic distribution of travel and other documents, has joined Olivetti, the Italian computer group, and three other partners to build a network of touch-screen self-service machines in the US. Page 22

London options trader fired from Kidder
[illegible] Peabody, the US investment bank, which dismissed its top [illegible] bond trader in April accusing him of faking $350m in profit, has now fired a senior London options trader for allegedly concealing about $6m in losses. Page 22

Profits surge ahead 64% at Motorola
Motorola, the US [illegible] group, reported a 64 per cent rise in net profits from $224m to $367m for the second quarter. It warned, however, that higher interest rates could slow growth in the [illegible] market. Page 23

Management buy optical business
Gallaher, the UK subsidiary of American Brands, has sold the UK's largest optical retailer, Dollond & Aitchison, and its other European optical businesses to its management for £94m. The buy-out is one of the largest in Europe this year.
Page 25

Birse reduces losses to £2.7m
Birse Group, the construction company, has announced an annual pre-tax loss for the third year running. The deficit, however, was reduced substantially from £18.5m to £2.7m for the 12 months to the end of April. Page 25

Little Chef ventures into Spain
Forte, the hotels and restaurants group, yesterday announced a £1.5m ($2.28m) investment to put Little Chef roadside restaurants and Forte Travelodges on the Spanish map. Page 26

Triplex Lloyd holds dividend despite loss
Triplex Lloyd, the Midlands engineering group supplying the power and automotive sectors, is to maintain its dividend in spite of a 1993-94 pre-tax loss of £2.93m ($4.43). The loss compares with a profit of £7.08m. Page 26

BHP to expand its Chilean copper mine
Broken Hill Proprietary is to become the world's leading producer of traded copper following the expansion of the Escondida copper mine in Chile. The expansion would boost the mine's annual output to 800,000 tonnes of the metal a year.
Page 28

Companies in this issue

Market Statistics

Chief [illegible] changes yesterday

FRANKFURT (DM)			
Falls			
DLW	[illegible]	-	15
Deutsche Babck	229	-	7.5
MAN	408	-	11.5
Porsche	620	-	19
Rosenthal	260	-	10
Thyssen	279	-	8
NEW YORK ($)			
Rises			
[illegible]	20⅝	+	1⅛
[illegible]	20¼	+	1
Motorola	47½	+	[illegible]
[illegible]			
Abbott Labs	27¾	-	1⅜
Birmingham Stl	26⅞	-	1⅛
Goodyear	34¼	-	2
PARIS (FFr)			
Rises			
Chargeurs	[illegible]	+	[illegible]
Pinedal	134	+	5
Falls			
Cap Gemini S	[illegible]	-	4.4
Credit Local	[illegible]	-	8.4
Eridania B-S Ci	[illegible]	-	49
SLIC	[illegible]	-	29
TOKYO (Yen)			
Rises			
Daimaru	862	+	32
Codo Shusei	680	+	[illegible]
Isetan	2200	+	[illegible]
Kikkoman	910	+	65
Falls			
Moryichi Steel	1790	-	60
[illegible]	908	-	28

New York prices at 12:30.

LONDON (Pence)			
Rises			
Acatos & Hutch	279	+	14
Bromsgrove	95	+	4
Johnson Matthey	535	+	21
Laird	372	+	10
Real Time Contrl	140	+	27
Rexmore	88	+	6
Salvesen (C)	286	+	[illegible]
Smith (David S)	503	+	18
Wood (John D)	88	+	4
Falls			
Coda	[illegible]	-	17
Drew Scientific	28	-	12
Eidos	315	-	45
Forte	213½	-	7½
Healthcall	97	-	[illegible]
JB	134	-	[illegible]
Mid-States	88	-	5
Phonelink	264	-	23
Regent Corp	23	-	5
[illegible]	184	-	[illegible]
Shield Group	10½	-	3½
Smkl Beecham [illegible]	[illegible]	-	12
Sterling Publ	160	-	11
Tems (John)	73	-	10
Waddington (J)	[illegible]	-	[illegible]

Shareholders vote to give airline staff 55% in return for concessions

Employees win control of United

By Richard Tomkins in New York

Shareholders of [illegible] Airlines, the biggest airline in the US, yesterday voted by a big majority to hand control of their company to its 75,700 employees in return for wage cuts and other labour concessions worth $4.9bn.

Mr Stephen Wolf, chairman and [illegible] executive, [illegible] decision "an event of monumental [illegible] proportions ... a [illegible] marking one of the most significant transformations in the airline industry since this business was founded in the early 20th century".

Mr Wolf was speaking at the annual meeting in Chicago shortly before stepping down in favour of Mr Gerald Greenwald, a former Chrysler vice-chairman, who was chosen by employees to become United's [illegible] chairman and chief executive.

Under [illegible] plan approved by shareholders, United's employees will get a controlling stake of 55 per cent – rising later to a maximum of 63 per cent – in return for the concessions.

The aim is to lower the company's operating costs to the point where it can compete on short-[illegible] routes in the US with smaller, low-cost carriers such as [illegible] Airlines – [illegible] profitable airline in the US.

All the big US airlines are suffering from fare wars in the US domestic market. In spite of traffic growth and [illegible] fuel prices, the industry as a whole lost $2.1bn last year because airlines were unable to charge fares high enough to cover costs.

Most big carriers are therefore trying to cut [illegible]. On Monday, Delta Air Lines announced that it was shedding 4,500 full-time jobs from its airport customer service division as part of a plan to cut its [illegible] of 73,000 by between 12,000 and 15,000 over the next three years.

Unlike Delta, United is heavily unionised [illegible] a labour confrontation if it started cutting operations and shedding staff. Its employee ownership plan, des[illegible] the [illegible] employee-owned company in the US, is intended to win employees' consent to a cost-cutting drive by allowing [illegible].

Some institutional investors had [illegible] against the plan, saying employee [illegible]ship would tempt workers to put their own [illegible] of other shareholders. But as yesterday's annual meeting opened, Mr Wolf said the 70 per cent of the shares represented by proxies had [illegible] in favour of the proposal.

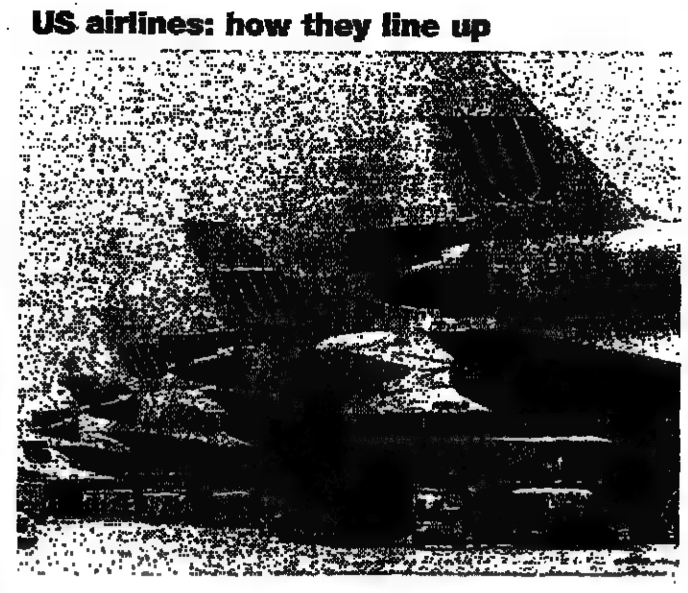
Existing shareholders will get one half share in the new company and $84.81 in cash for every [illegible] they now hold.

United estimates the value of the deal at $143 to $147 a share, but [illegible] recently been trading at [illegible] than $130.

One of [illegible] United Airlines will be to launch a low-cost subsidiary to compete [illegible] Southwest. Mr Greenwald [illegible] United Shuttle would start flying on October 1.

● United Airlines yesterday reported [illegible] for the second quarter, up from [illegible] and including a [illegible] charge relating to the buy-out. Revenue rose from $3.3bn [illegible] and earnings per share rose from 54 [illegible] $1.89.

US airlines: how they line up



First quarter [illegible]

	Passenger Traffic **RPK (000s)	% change	Group revenues ($m)	% change	Net profit/loss [illegible]	*Fleet
United	37,472	3.6	3,195	4.7	-71	[illegible]
American	36,008	-1.5	3,609	-0.2	-7	611
Delta	31,211	[illegible]	2,843	0.6	-78	[illegible]
Northwest	21,755	-1.5	2,130	5.9	[illegible]	[illegible]
[illegible]	[illegible]	-4.9	1,365	-2.4	-72	[illegible]
USAir	13,500	[illegible]	1,666	-1.9	-197	[illegible]
TWA	8,357	10.3	781	8.2	-124	146
Southwest	8,113	25.0	619	24.2	42	***178
America West	[illegible]	14.0	345	9.0	15	[illegible]

*[illegible] body jets, at Dec 31 [illegible]
**Revenue passenger kilometres
***Including 21 [illegible] acquired Dec 31
[illegible] Flight International [illegible]

ITT moves into Ciga boardroom and raises stake

By Andrew Hill in Milan

ITT, the US conglomerate which owns the [illegible] hotel chain, yesterday confirmed its effective control of Ciga, the Italian luxury hotels group, when [illegible] ITT representatives were co-opted on to the seven-person Ciga board.

The US group [illegible] confirmed it had raised its [illegible] in Ciga to 20.3 per cent, held through its Sheraton International subsidiary, and was still buying [illegible].

In a [illegible] in New York, Mr Rand Araskog, ITT chairman and chief executive, said: "I'm confident that they [the [illegible] directors] will make an important contribution to Ciga's board, as the company [illegible] through this [illegible] period of transition."

The new [illegible] of Ciga are Mr Robert Cotter, president of ITT Sheraton Europe, and Mr Charles Goldman, a vice-president of ITT [illegible] the group's [illegible].

The US company's control over Ciga [illegible] at last [illegible] shareholder meeting, at which the previous directors of [illegible] heavily criticised. But [illegible] was only [illegible] months of complex financial manoeuvring and will be [illegible]cised under the supervision of Ciga's vociferous minority shareholders.

Italian stock exchange authorities have yet to rule on whether ITT has to make a public offer for further shares [illegible].

Even yesterday ITT could not declare a complete victory. A third director nominated by ITT was to replace Mr Pietro Guerra. Mr Guerra [illegible] representative of Fimpar, the Aga Khan's holding company, which [illegible] trol Ciga, and [illegible] not [illegible] resign yesterday.

As [illegible] Ciga boardroom was quietly reshuffled, shareholders in Fimpar were deciding whether the company should be recapital[illegible] or liquidated.

ITT built its [illegible] in Ciga after failing in an initial attempt to acquire the company [illegible] a deliberately overpriced rights issue. The [illegible] supposed to fall, delivering Ciga to its creditor banks and then to ITT, which had won an earlier bidding [illegible] the [illegible] UK. But the [illegible] issue [illegible], forcing ITT to take the more tortu[illegible] control.

No let-up for Japan's banks, says Moody's

By Gerard Baker in Tokyo

Japanese [illegible] will remain [illegible] for many [illegible] by [illegible] high proportion of bad loans, a US [illegible] rating agency said yesterday.

The report, by [illegible] Japan, said [illegible] asset quality was compounded by the [illegible] underlying profitability was among the weakest in the world. Problem asset [illegible] were high in [illegible] to core earnings.

"[illegible] is [illegible] prospect for a [illegible] [government] bail-[illegible] or [illegible] significant profit improvement, we see a prolonged period of uncertainty," the report said.

Margins were expected to remain under pressure because of the significant carrying cost of non-performing loans and limited lending opportunities.

In the past three years Moody's has cut its ratings of big Japanese banks from an average level of Aa2 in 1990 to A2. At the top end, only four leading banks, Bank of Tokyo, Industrial Bank of Japan, Mitsubishi Bank and Sanwa Bank, [illegible] long-term ratings of [illegible].

Moody's [illegible] while it was confident that the risk of default by any leading bank remained remote, "the [illegible] of the [illegible] to move decisively in resolving the [illegible] asset quality problems [illegible] of risk and uncertainty on the part of [illegible] participants at home and abroad".

"In the [illegible] of decisive action it may [illegible] a decade for the banking system as a whole to work through its asset quality problems."

[illegible] for the country's city [illegible] brighter [illegible] the long-term [illegible] banks and [illegible] banks, as [illegible] sectors had been [illegible] exposed to commercial property, the principal cause of the bad [illegible] problems.

The agency saw the prospect of a number of mergers in the industry, driven by the weakness of [illegible] banks.

Banks [illegible] tough, Page 23

Esab unions attack Charter bid

By Hugh Carnegy in Stockholm

Trade unions at Esab, the [illegible] producer of welding equipment, have attacked a takeover bid by Charter of the UK, saying the offer undervalues the Swedish group and threatens its future in Sweden.

In a campaign carrying echoes of the revolt which last year [illegible] the proposed merger [illegible] Volvo and France's Renault, the unions at Esab have written to shareholders appealing to them not to accept the bid made by Charter at the end of last month and recommended by the Esab board.

Charter, which offered $400m, has already acquired votes worth more than 50 per cent through the 49 per cent voting stake previously held by Incentive, the Swedish industrial group controlled by the Wallenberg family, and further purchases on the open market. But it needs 90 per cent to take over Esab fully and the trade unions hope that Swedish institutions will refuse to sell to Charter. The bid deadline is August 12.

White and [illegible] unions at Esab – which, like Volvo, is based in Gothenburg – have attacked the fitness of Charter, which has been focused on building materials, coal and rail track equipment, to run the business.

Mr Stefan Larsson, [illegible]ting the [illegible] workers, civil engineers and metal workers, claimed that many inside the company, including managers, were alarmed by public comments by Mr Jeffrey Herbert, Charter chief executive, suggesting Esab required further restructuring.

About 20 per cent of Esab's 7,150 workforce is based in Sweden. Mr Larsson feared that key managers used to working within the Wallenberg empire would seek to leave the [illegible]. He [illegible] that Esab's six-month results, due on August [illegible], were expected to show sharply improved profits, with the outlook suggesting that 1994 earnings would top the SKr300m ($40m) previously forecast. Profits were expected to grow strongly again in 1995 to SKr500-Skr600m. "In that perspective we believe the bid is too low," he said.

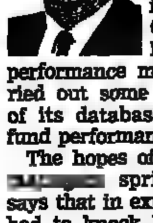
The largest Esab shareholder after Incentive is Fourth Fund, a state pension fund, with 6.2 per cent of the votes. It played an important role in the Volvo-Renault affair. With senior private and public sector trade [illegible] representatives on its board, it is likely also to be a "swing" player in the Esab takeover.

Mr Thomas Halvosen, the fund's chief executive, said the fund was aware of the trade union objections but would not decide on its position until after it had scrutinised Esab's half-year results.

Meanwhile Mr Lars Westerberg, Esab's chief executive, denied any senior management dissent over the Charter bid and said he had "no reason to believe" Charter would instigate a radical shake-up of the company.

Barry Riley

Impossible dreams and irrational benchmarks



Consistently outstanding portfolio performance is [illegible] but pursued regardless, [illegible]ing to The WM Company. The Edinburgh firm of performance measurers has carried out some detailed analyses of its database of UK pension fund performance in 1993.

The hopes of clients and fund [illegible] spring eternal. WM says that in extreme cases it has had to knock heads together to cause certain funds to amend performance targets which had become "irrational and unrealistic". They were chasing an impossible dream.

Even some of the more common performance benchmarks, such as median plus [illegible] per cent [illegible] rolling three-year periods, [illegible] to imply almost [illegible] disappointment. In most years this result requires top quartile performance, but only 15 per cent of funds achieve this in three successive years. Over several consecutive three-year periods the fall-out is almost complete: even median plus 1 per cent has only been achieved over more than three successive three-year periods by one in a 100 funds.

WM's computers have crunched not only the numbers but also some of the illusions of investment management. Does a group of fashionable specialist managers offer a reasonable chance of outperforming a single balanced manager? There is no evidence that the specialists do better, says WM, in fact over the five-year period [illegible] (inclusive) the specialists' performance was 1 per cent a year worse.

Does a highly active manager, buying cheap [illegible] selling [illegible] and turning over the portfolio rapidly, add value? Looking at UK equities WM detects that the skills of managers in trading [illegible] have added 0.4 per cent a year. It's not much, and the problem is that it has cost 0.8 per cent a year to achieve this modest result.

This is, of course, a very familiar picture of the frailty of investment performance. Much is promised and much effort is expended, but little is delivered. Some managers can achieve success for a period of years, but not indefinitely. Often they attract so much new money that they hopelessly dilute whatever skills they originally had. Excellence is barely distinguishable in the statistics, although WM [illegible] say that top performance is achieved slightly more often than could be attributed to pure chance. This is a very shaky justification for the almost universal chase after consistent top quartile returns.

Some managers can achieve success for a period of years, but not indefinitely

Meanwhile contracts are awarded on an unrealistic basis. The clients believe – or are advised by consultants – that they can reasonably hope to choose an excellent [illegible], despite the evidence of the statistics. The fund managers, on the other hand, often will not win the business unless they accept an almost unattainable target.

In fact the more aggressive targets can rebound on clients. [illegible] performance will in any [illegible] involve higher volatility. But there is also the extra risk inherent in the nature of the management contract, in that the manager may embark on a "double or quits" strategy in order to retain the contract or to get back into a zone where performance fees can be earned.

[illegible] dangers may have been enhanced in the UK pension fund sector by the peculiar emphasis on peer group performance – that is, on what the average fund has done. Pension funds and their portfolio managers feel trapped into following the [illegible] asset allocation strategy more or less exactly.

WM's analysis shows that very little of the [illegible] the best and worst performing UK pension funds is explained by variations in asset mix. [illegible] almost all results from stock selection – an area where active managers evidently feel under obligation to accept a degree of risk rather than be exposed as closet passive managers.

Perhaps this unhealthy obsession with the consensus will now fade away under the influence of the growing maturity of funds and the introduction of a minimum solvency standard, two reasons why in future UK pension funds will have to select assets with more concern for matching the particular liability structure of the scheme.

There may be more emphasis on beating an index than on beating the competition. Of course, by statistical definition comparatively few managers could hope to achieve that by a substantial margin either.

UBS settles with critic of UK accounting methods

By Robert Peston in London

Union Bank of Switzerland has reached an out-of-court settlement with Mr Terry Smith, a leading investment analyst, bringing to an end a high-profile legal dispute which had become the focus of a City of London debate about the freedom of analysts to write impartial company reports.

The settlement, disclosed in High Court documents, comes as a surprise, since UBS has for months refused to give in to Mr Smith's demand for £600,000 ($385,000) in legal costs and earnings due under his contract with the investment bank. Both sides yesterday refused to discuss the terms of the settlement.

The two had been suing and counter-suing each other over the publication in 1992 of *Accounting for Growth*, a book written by Mr Smith which attacks the accounting techniques used by many big UK companies.

Mr Smith was sacked by UBS in October 1992. It said that he had breached internal procedures for vetting the contents of the book. However, Mr Smith has insisted that he had been dismissed in part because of complaints about the book from Sir Allen Sheppard, chairman of Grand Metropolitan, and Sir Colin Marshall, also a GrandMet director and chairman of British Airways. Both companies are UBS clients.

Mr Smith, who yesterday declined to comment, sued UBS for breach of contract and unfair dismissal. UBS said: "We are both satisfied that the interests of each party have been met."

Although UBS tried to persuade Mr Smith not to publish the book, it later sued him for breach of copyright, alleging that the book [redacted] research carried out by other UBS analysts.

Accounting for Growth is an expanded version of award-winning research published by UBS in January 1991, which highlighted accounting techniques used by UK companies to boost the level of profits they disclose or minimise the level of borrowings shown on their balance sheets.

Just before publication, newspaper articles highlighted Grand Met as the company which used more of these techniques than any other.

Had the case come to trial, Mr Smith was seeking to cross examine Sir Allen and Sir Colin. He now works for a small independent firm of stockbrokers, Collins Stewart.

Swedish oil group pays $60m for control of stations

By Hugh Carnegy in Stockholm

OK Petroleum, the Swedish oil group acquired earlier this year by Saudi Arabia's Sheikh Mohammed Al-Amoudi, yesterday moved to strengthen its position in Sweden's retail petrol market by taking full control of the country's 406 Texaco stations.

OK paid $60m to acquire the 50 per cent of Texaco's Swedish operation that it did not already own.

The Texaco chain, with a Swedish market share of just over 7 per cent, is the first large-scale direct ownership of retail operations by OK. It is closely associated with the OK chain, but most OK stations are independently owned.

Together, the Texaco chain – which will continue to operate under the Texaco name – and the OK stations will have a 25 per cent market share, equalling the share held by Norway's Statoil which last year became the country's largest when it acquired the local BP chain.

Mr Sven-Erik Zachrisson, OK's chief executive, said the company intended to become "more aggressive" in the retail market in the Nordic region.

The group, with sales of SKr19.5bn ($2.5bn) last year, has two refineries in Sweden with combined refining capacity of 265,000 barrels a day.

It accounts for 23 per cent of the Nordic area's refining capacity.

Skeikh Mohammed Al-Amoudi paid $1.2bn for OK in March this year, buying out the previous joint owners: Sweden's KF co-operative group, Neste, the Finnish oil company, and the Swedish state.

The purchase, one of the biggest foreign takeovers of a Swedish-based company, was carried out through Corral Petroleum Holdings, a private company.

Roche cautions [redacted] sluggish sales

By Paul Abrahams in London

Roche, the Swiss pharmaceuticals and chemicals group, yesterday warned that sales growth during the second half of 1994 would be slower than in recent years.

The caution came as growth at its pharmaceuticals division slowed from 16 per cent, year-on-year, during the first quarter, to 2 per cent in the second.

However, barring unforeseen circumstances, group profits for 1994 as a whole would show an increase, Roche said. In [redacted] 29.3 per cent [redacted] ($1.9bn), while sales were 10.5 per cent higher at SFr14.3bn.

Turnover for the six months ended June was up 7 per cent in local currencies. In Swiss francs, which have appreciated over the last year, sales rose 2 per cent to SFr7.33bn. Half-year profits were not disclosed.

The pharmaceuticals division posted sales up [redacted] per cent [redacted] local currencies (4 per [redacted] in [redacted] francs), to SFr4.04bn from [redacted].

Roche said it had been unable to avoid the effects of an increasingly competitive environment. During the second quarter, it was hit by extraordinary factors.

The vitamins and fine chemicals division rose 7 per cent in local currencies (2 per cent in Swiss francs), to SFr1.63bn from SFr1.6bn.

Turnover at the diagnostics division slipped 2 per cent in local currencies (4 per cent in Swiss francs), to SFr815m from SFr867m. The group said if last year's sales from the disposed microbiology business were excluded, sales in local currencies would have been little changed.

The static result at the diagnostics division was partly blamed on changes in reimbursement policy in the US, which led to the closure of some local laboratories.

The fragrances and flavours division posted sales up 13 per cent in local currencies (8 per cent in Swiss francs), to SFr812m from SFr750m.

Roche certificates fell 5 per cent to SFr5,700 yesterday.

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Bank unveils Fnac sale terms

By Alice Rawsthorn in Paris

Crédit Lyonnais, the troubled French bank, yesterday announced the terms of its FFr1.9bn ($359m) deal to sell a controlling stake in Fnac, the French music and book retailer, to Mr François Pinault, the entrepreneur.

The deal, which coincides with the publication of a French parliamentary inquiry into the causes of Crédit Lyonnais' financial problems, involves Artemis, the Pinault family holding company. Artemis is buying the bank's 64.6 per cent stake in Fnac for FFr3.065 a share, valuing the whole of Fnac at FFr3bn.

However, Crédit Lyonnais must first offer the Fnac stake on the same terms to Générale des Eaux, the French utility with which it collaborated last year to buy Fnac from GMF, the troubled insurer. Générale has 30 days to decide whether to exercise its pre-emptive rights over the shares.

François Pinault: has spent months manoeuvring for Fnac

Mr Pinault, who made his name in the 1980s by turning his family's timber business into the vast Pinault-Printemps retail group, has for months been manoeuvring to take control of Fnac, one of the best-known names in French retailing. He tried to acquire Fnac last year when GMF put it up for sale, but was outbid by Crédit Lyonnais and Générale des Eaux. However, Crédit Lyonnais's deepening financial problems – it incurred a net loss of FFr6.9bn in 1993 and has secured the French government's support for a FFr44.9bn rescue package – have forced it to sell assets.

The Fnac deal is the latest in a series of high-profile acquisitions by Mr Pinault, who is one of Crédit Lyonnais' most prominent clients.

Pinault-Printemps has been selling assets in order to reduce debts. However, Mr Pinault himself has been expanding his personal interests through Artemis.

Two years ago, Artemis acquired a junk-bond portfolio from Crédit Lyonnais as part of a debt-rescheduling agreement. Mr Pinault last summer bought Château Latour, one of Bordeaux's most prestigious wines, from UK drinks group Allied-Lyons, for FFr690m.

Dutch group in talks with Campari

By Andrew Hill in Milan and Ronald van de Krol in Amsterdam

BolsWessanen, [redacted] Dutch drinks and [redacted] group, is in [redacted] about "far-reaching co-operation" with the family-owned Italian company Davide Campari-Milano, the maker of Campari.

Neither company would be drawn on detail, but the plans are understood to involve Campari taking over the Dutch group's [redacted] Italian [redacted] return, BolsWessanen would acquire a stake in the Italian company, and distribute its drinks products through Campari's extensive sales network.

BolsWessanen's interests in Italy range from mineral water and soft drinks to wines, distilled spirits and aperitifs such as Cynar, the artichoke-based drink. The company employs 570 people in Italy. Its Crodino non-alcoholic aperitif leads the Italian market.

In April, Mr Marco Perelli Cippo, Campari managing director, said the company was seeking to align its traditional products – Bitter, Campari [redacted] and Cordial – [redacted] brands.

Such is the Italian company's interest in the deal that it may be prepared to cede a stake of more than 20 per cent to BolsWessanen. If it did, it would be the first time in the company's 130-year history that shares have been owned by investors without close links to the Campari dynasty.

CAE holds lead in flight simulators

By Robert Gibbens in Montreal

CAE, the big Canadian electronics group, expects to hold its share of the world markets for commercial flight simulators well above 50 per cent this year.

The company has won most of the new commercial flight simulator orders in the first half of calendar 1994, including sales to Japan and China, Mr John Caldwell, president, told the annual meeting. However, this pace was unlikely to be sustained, he cautioned.

In the year ended March, CAE took 10 out of 18 full-flight simulator orders worldwide, indicating a 55 per cent market share.

The company is moving into simulation equipment for medical, entertainment and educational uses, and is looking for acquisitions in electronics, aerospace and industrial products. However, aircraft simulators will remain dominant for another five years.

Last year, CAE took a C$396m (US$284.9m) write-down on its CAE-Link military simulator unit in the US.

Sir Ian MacGregor bows out of UK

By David Wighton in London

Sir Ian MacGregor, the former chairman of British Steel and British Coal, yesterday quit the UK quoted company scene when he resigned as chairman of security group Holmes Protection.

The 81-year-old Scot is also bowing out of the UK itself having [redacted] sell his house [redacted] and retire to the US.

Sir Ian said he was [redacted]tepping down from US-based Holmes [redacted] boardroom disagreements. "My ideas did not prevail and I am too old to spend my time in a long, hot summer going back and forth in a crisis."

The disagreements stemmed from a deal announced last week under which HP Partners, a US investor group, would inject $10m in return for a 34 per cent stake.

Mr Paul Douglas, who has been a director for the past 19 months, succeeds as chairman of Holmes, which plans to delist its shares in London and obtain a quotation on the Nasdaq exchange in New York.

In recent years Sir Ian has been involved in a number of struggling UK-quoted companies where things have not gone entirely to plan.

Mountleigh, the property group, went into receivership while he was chairman and shortly afterwards he was ousted as chairman of specialist printer Hunter[redacted].

Sir Ian blames [redacted] Mountleigh disappointment on "the panic that descended on the City when Olympia & York went belly-up".

Sir Ian is retaining his directorship at United Gas, the new UK-based gas business where he acted as "midwife".

But he is selling his house in Argyll and will divide his time between Massachusetts and Florida. His children and grandchildren live in the US, where he spent much of his early career.

He is still in[redacted]lved with several young US companies. "I spend a lot of time giving people the benefit of my experience and they spend their time taking very little notice."

Electrolux expands in S America

By Hugh Carnegy

Electrolux, the world's leading maker of household appliances, has taken a 6 per cent stake in Refripar, Brazil's second-largest producer of white goods, in a strategic move to increase its presence in the South American white goods market.

Electrolux is paying $10m for the stake, which will underpin an alliance to supply equipment for the production of washing machines by both Refripar and Electrolux's subsidiaries in South America.

The Swedish group recently set up a wholly-owned subsidiary in Argentina to distribute household appliances under the Electrolux, Zanussi and Frigidaire brand names.

Refripar, with 1993 sales of more than $350m, has a 50 per cent market share in Brazil for freezers, and a 35 per cent share of the refrigerator market. However, it is weak in washing machines.

Mr Folke Asell, president of Electrolux's Brazilian operation, said the group had so far had a relatively small presence in white goods in South America, based on imports. It now wanted to expand.

Electrolux sales in South America were SKr2.4bn ($315.8m) last year, but were mostly accounted for by floor cleaners.

Whirlpool of the US, Electrolux's principal worldwide competitor, has a large South American presence through local brand names.

THIS NOTICE IS IMPORT[redacted] AND REQUIRES THE IMMEDIATE [redacted] OF HOLDERS OF SHARES AND OF SPARCS (as defined below). IF THEY ARE IN ANY DOUBT ABOUT THE ACTION THEY SHOULD TAKE, THEY SHOULD CONTACT THEIR PROFESSIONAL ADVISERS IMMEDIATELY.

SASIB

SASIB S.p.A. Registered office Via di Corticella, 87/89 - 40128 Bologna
Company Register: Bologna Tribunal reg. no. [redacted] - C.C.I.A.A. no. [redacted]
Capital Stock Lire 125,311,277,000 fully paid-up, composed of 71,876,310 ordinary shares,
110,432 privileged shares and 53,324,535 [redacted] savings shares, all with par value of Lire 1,000 each

[redacted]

to the holders of the above shares and of those of the Lire 65,000,000,000 9% per cent. Small Premium Advantaged Return *Converting* [redacted] *1997 – SPARCS of SASIB International B.V. presently outstanding (the "SPARCS") of a*

CAPITAL INCREASE BY SASIB S.p.A. FROM LIRE 125,311,277,000 UP TO A MAXIMUM OF LIRE 171,113,923,000 AND OF THEIR RIGHTS IN RELATION THERETO

Issue of ordinary and non-convertible savings shares with warrants exercisable into SASIB S.p.A. ordinary and non-convertible [redacted] shares respectively

[redacted] carried [redacted] offering to existing holders of SASIB shares and holders of SPARCS:
- 11,997,790 [redacted] new ordinary shares;
- 10,903,533 SASIB new non-convertible savings shares;
- [redacted] "SASIB Ordinary Warrants 1997", attached to the new ordinary shares;
- 10,903,533 "SASIB Savings Warrants 1997", attached to the new non-convertible savings shares.

On May 19, 1994, the Board of Directors of [redacted] S.p.A., in exercise of the power given by the Shareholders' Meeting held on April 26, 1994, resolved to implement a capital [redacted] to be carried out by means of:
- issue of a maximum of 11,997,790 new ordinary shares, par value Lire 1,000 [redacted] dividend rights accruing January 1, 1994, to be offered in option to holders of ordinary [redacted] shares in a ratio of 1 new ordinary share for every 6 ordinary shares or 6 pri[redacted] held at a price between a minimum of Lire 7,000 (of which Lire 6,000 above par) and a maximum of Lire 11,000 (of which Lire 10,000 above par);
- issue of a maximum of 10,903,533 new non-convertible savings shares, par value Lire 1,000 and dividend rights accruing January 1, 1994, to be offered in option to holders of non-convertible savings shares in a ratio of 1 new non-convertible savings share for every 6 non-convertible savings shares held and to the holders of SPARCS in a ratio of 163 new *non-convertible savings shares for each SPARCS of Lire 5,000,000 par value or* 1,633 new non-convertible savings shares for each SPARCS of Lire 50,000,000 par value held at a price between a minimum of Lire 4,000 (of which Lire 3,000 above par) and a maximum of Lire 6,000 (of which Lire 5,000 above par);
- the subscription price of the new ordinary shares being determined immediately before the issue as the average of the market prices of the ordinary shares recorded in the three days prior to its determination, discounted by a maximum of 12 per cent., such price in any case being included between the above mentioned minimum and maximum prices.
- the subscription price of the new non-convertible savings shares being determined immediately before the issue as the average of the market prices of the non-convertible savings shares recorded in the three days prior to its determination, discounted by a maximum of 12 per cent., such price in any case being included between the above mentioned minimum and maximum prices.

The Board of Directors of SASIB S.p.A. has also resolved to implement an additional capital increase to be carried out by issuing:
- 11,997,790 new ordinary shares, par value Lire 1,000, to be reserved exclusively for the exercise of 11,997,790 "SASIB Ordinary Warrants 1997" attached to the new ordinary shares and giving the right to subscribe such shares in a ratio of one share for each warrant held;
- 10,903,533 new non-convertible savings shares, par value Lire 1,000, to be reserved exclusively for the exercise of 10,903,533 "SASIB Savings Warrants 1997" attached to the new non-convertible savings shares and giving the right to subscribe such non-convertible savings shares in a ratio of one [redacted] savings share for each warrant held;
- the exercise prices of the warrants being determined by the Board of Directors at the same *time as the subscription prices of the new ordinary and new non-convertible savings shares* issued.

The warrants are exercisable at any time beginning with the day following their issue and until July 31, 1997 (both inclusive), provided that notice of exercise is given by June 30, 1997. The shares subscribed through the exercise of the warrants will accrue dividends from the same date as SASIB ordinary and non-convertible savings shares traded on the Italian automated quotation system ("Telematico") at the date of exercise of the warrants.

An application for the listing on the Telematico of "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" will be made.

The rights to new shares with warrants attached will be exercisable between June 16, 1994 and July 17, 1994, by presenting the coupon no. 19 to be detached from ordinary, privileged and non-convertible savings shares. Such coupon will represent option rights. Holders of SPARCS may sell or exercise their rights by following the procedures indicated in paragraphs 2) and 3) below. Holders of SPARCS who do not follow such procedures will not receive any compensation for any rights to which they may have been entitled. The rights will expire at the end of the [illegible] case of a U.S. Person, through the U.S. Rights Agent each as defined below. All new shares and the warrants will be made available to subscribers at Monte Titoli S.p.A. The delivery of the certificates may be requested only through the agent who received the application.

The prospectus describing the capital increase and all other documents required by Consob's Rule no. 5553 of November 14, 1991 have been deposited at the Company's registrar office, Italian Stock Market Council, the agents and the Conversion Agents referred to at paragraph 3) below. Copies may be obtained free of charge upon request. The subscription price of the new ordinary and new non-convertible savings shares together with the exercise price of "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" are [redacted] below.

• • •

On June 13, 1994, *the Board of Directors of SASIB S.p.A. determined the subscription price for new ordinary and new non-convertible savings shares, as well as the exercise price for* "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" [redacted] follows:
- Lire 7,450, of which Lire 1,000 par value and Lire 6,450 paid-up surplus, for each of the 11,997,790 new ordinary shares;
- *Lire 4,700, of which Lire 1,000 par value and Lire 3,700 paid-up surplus, for each of the 10,903,533 new non-convertible savings shares;*
- Lire 8,940, of which Lire 1,000 par value and Lire 7,940 paid-up surplus, for each of the 11,997,790 new ordinary shares to be reserved exclusively for the exercise of 11,997,790 "SASIB Ordinary Warrants 1997";
- Lire 5,640, of which Lire 1,000 par value and Lire 4,640 paid-up surplus, for each of the 10,903,533 new non-convertible savings shares to be reserved exclusively for the exercise of 10,903,533 "SASIB Saving Warrants 1997".

• • •

Procedures – including those for U.S. Persons and Persons Outside Italy

1) RIGHTS MAY BE EITHER SOLD OR EXERCISED BY OR ON BEHALF OF PERSONS IN THE UNITED STATES AND U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND COLLECTIVELY HEREIN "U.S. PERSONS") INCLUDING HOLDERS OF SPARCS ONLY UPON CERTIFICATION AS DESCRIBED BELOW THAT SUCH PERSON IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND REFERRED TO HEREIN AS "QIBS") AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.
2) Holders of SPARCS with registered addresses in the United States will receive the appropriate form of certification and other information – including the most recent financial results for SASIB S.p.A. – from the Registrar as specified on their SPARCS. Other holders of SPARCS who are U.S. Persons and who intend to sell or exercise their rights should contact the Registrar to receive such certification and information. Holders of SASIB shares who are U.S. Persons and who intend to sell or exercise their rights should contact Morgan Guaranty Trust Company of New York, at the address set forth below, who is acting as the U.S. rights agent (the "U.S. Rights Agent") to receive such certification and information.
3) In order either to sell or to exercise their rights, holders of SPARCS in bearer form must present to any conversion agent specified in the SPARCS and set forth below (a "Conversion Agent") the relevant SPARCS with the Entitlement Notice no. 1 attached by July 10, 1994 in order to obtain the necessary investment certification and other necessary documents, which, in order to exercise such rights, must then be completed and lodged with a Conversion Agent prior to July 17, 1994. Holders of SPARCS in registered form must lodge a duly completed investment certification and other necessary documents with a Conversion Agent prior to July 17, 1994 in order to sell or exercise their rights. Holders of SASIB shares who are U.S. Persons must present to the U.S. Rights Agent prior to July 17, 1994 a duly completed investment certification and must arrange for the presentation of coupon no. 19 detached from such shares to Monte Titoli S.p.A. or the agent bank that holds their shares in order either to sell or to exercise their rights. All [redacted] certifications must be in the form provided by the Registrar and the U.S. Rights Agent.
4) The ordinary shares, non-convertible savings shares and warrants issuable upon exercise of the rights have not been registered under the Securities Act and accordingly may not be reoffered or resold except pursuant to the exemption from registration provided by Rule 144A or Regulation S thereunder and in accordance with applicable state securities laws.
5) Applications for the exercise of the "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" by or on behalf of U.S. Persons must be presented [redacted] appointed by SASIB S.p.A. (initially, Morgan Guaranty Trust Company of New York). The "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" may be exercised by or on behalf of U.S. *Persons only upon certification to the U.S. warrant agent that such person is a QIB and in accordance with applicable state securities laws. The ordinary and non-convertible savings shares* [redacted] upon exercise of the warrants will also be subject to restrictions on their resale and may only be reoffered or resold pursuant to an exemption from registration provided by Rule 144A or Regulation S under the Securities Act and in accordance with applicable state securities laws.

Conversion Agents:
Morgan Guaranty Trust Company of New York, [redacted] Victoria Embankment, London EC4Y 0JP, England.
Morgan Guaranty Trust Com[redacted] of New York, Corporate Trust Operations Department, 55 Exchange Place, Basement A, New York, NY 10260-0023, U.S.A.
Banque Paribas Luxembourg, [redacted] Boulevard Royal, L-2093 Luxembourg, Luxembourg.

U.S. Rights Agent and U.S. warrant agent:
Morgan Guaranty Trust Company of New York, Corporate Trust Operations Department, 55 Exchange Place, Basement A, New York, NY 10260-0023, U.S.A.

June 21, 1994

SASIB S.p.A.

U.S. $50,000,000

ÖVAG

ÖSTERREICHISCHE VOLKSBANKEN-AKTIENGESELLSCHAFT

Floating Rate Subordinated Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from July 13, 1994, to January 13, 1995 the Notes will carry an interest rate of 5.50% per annum. The interest payable on the relevant interest payment date, January 13, 1995 will be U.S. $140.56 per U.S. [redacted]

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

July 13, 1994

CITY INDEX

[redacted]

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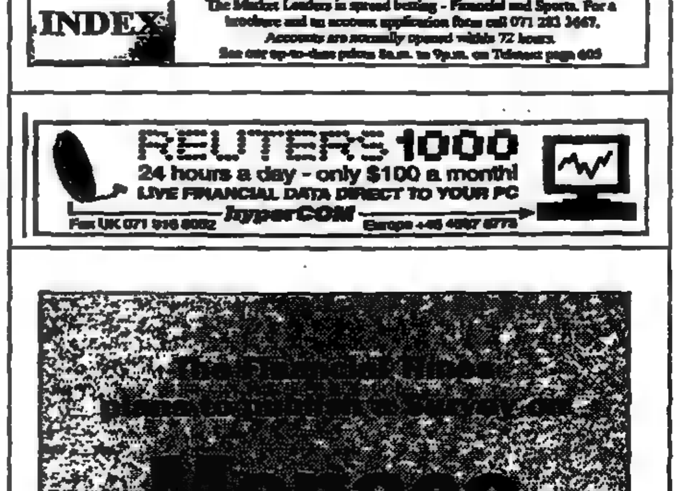

The undoubted business and tourist appeal [redacted] the Principality will be examined with particular emphasis on Banking, Finance Business Services and the successful Conference industry.

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For an editorial synopsis and advertising information call Dominic Good in Paris on (1) 42 97 06 30 or fax (1) 42 97 06 24

FT Surveys

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA

In re
SOUTHEAST BANKING CORPORATION,
Debtor.
CASE NO. 91-14561-BKC-PGH

NOTICE OF ENTRY OF ORDER ENFORCING AUTOMATIC STAY UNDER BANKRUPTCY CODE BY PROHIBITING AND ENJOINING SALE AND TRANSFER OF COMMON STOCK AND PREFERRED STOCK OF SOUTHEAST BANKING CORPORATION BY CERTAIN INDIVIDUALS AND/OR ENTITIES, AND RIGHT TO APPEAR AT FINAL HEARING TO BE HELD ON JULY 21, 1994 AT 9:30 A.M.

TO: ALL PERSONS OR ENTITIES WHO PRESENTLY OWN OR PROPOSE TO SELL, TRADE OR TRANSFER COMMON STOCK OR 8.75% SERIES E PREFERRED STOCK OF SOUTHEAST BANKING CORPORATION

YOU ARE HEREBY NOTIFIED that pursuant to an Order entered on July 7, 1993 by the United [redacted] Bankruptcy Court, [redacted] District of Florida [redacted]. Paul G. Hyman, Jr.), any individual or entity (or group acting in concert) presently owning *not less than 1,735,980 shares of Common Stock* or any amount of shares of 8.75% Series E Preferred Stock ("Series E Preferred Stock") issued by Southeast Banking Corporation, or who will own after a sale, *trade or transfer not less than 1,735,980 shares of Common Stock or any amount of* shares of Series E Preferred Stock, is stayed, prohibited and enjoined from engaging in the sale, trade or transfer of such Common Stock or Series E Preferred Stock. Any prohibited sale, trade or other transfer of Common Stock or Series E Preferred Stock which has taken place subsequent to September 20, 1991 without authorization of the Bankruptcy Court is in *violation of the automatic stay prescribed by Section 362(a) (3) of the Bankruptcy Code.* If you wish to receive copies of the Bankruptcy Court's Order or the Motion Enforcing Automatic Stay filed by William A. Brandt, Jr., as Trustee for the estate of Southeast Banking Corporation, you may obtain copies of these documents by written request to the Trustee's undersigned attorney.

YOU ARE HEREBY FURTHER NOTIFIED that the Bankruptcy Court has scheduled a final hearing on July 21, 1994 at 9:30 A.M., Courtroom 1409 of the Federal Building, 51 S.W. First Avenue, Miami, Florida 33130, to consider the entry of a final order and any and all objections thereto. To be considered at the hearing, all objections must be filed with the Clerk of the Bankruptcy Court no later than July 18, 1994, with copies mailed to the Trustee *and his undersigned counsel so as to be received no later than July 18, 1994. Any objections* which are filed and served after July 18, 1994 may not be considered by the Court at the final hearing.

ANY PROHIBITED SALE, TRADE OR TRANSFER OF SOUTHEAST BANKING CORPORATION COMMON STOCK OR SERIES E PREFERRED STOCK IN VIOLATION OF THE BANKRUPTCY COURT'S ORDER MAY BE PUNISHED BY CONTEMPT OR OTHER SANCTIONS IMPOSED BY THE BANKRUPTCY COURT. SHOULD YOU DESIRE ADDITIONAL INFORMATION CONCERNING THE BANKRUPTCY COURT'S ORDER, YOU MAY CONTACT COUNSEL FOR THE TRUSTEE OR YOUR OWN LEGAL COUNSEL. PLEASE DO NOT CONTACT THE CLERK OF THE COURT FOR INFORMATION.

Dated: July 7, 1994

William A. Brandt, Jr.
TRUSTEE
DEVELOPMENT SPECIALISTS, INC.
2750 First Union Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131

Mark D. Bloom, ESQ.
GREENBERG, TRAURIG, HOFFMAN, LIPOFF, ROSEN & QUENTEL, P.A.
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Miami, Florida 33131
Telephone: (305) 579-0500

SHEARSON LEHMAN HUTTON HOLDINGS INC. *(Incorporated in Delaware)*

US$300,000,000
Floating rate notes due October 1996

For the three months 13 July 1994 to 13 October 1994 the notes will carry an interest rate of 5.0375% per annum and interest payable on the relevant interest payment date 13 October 1994 will amount to US$128.74 per US$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

£90,000,000

BHH International Finance PLC

Guaranteed Secured Floating Rate Notes due 1995

For the period from July 11, 1994 to October 11, 1994 the Notes will carry an interest rate of 5⅝% per annum with an interest amount of £1,417.81 per £100,000 and of £14,178.08 per £1,000,000 Note.

The relevant interest payment date will be October 11, 1994.

Agent Bank

BANQUE PARIBAS

This announcement appears as a matter of record only.

March 1994

ISTITUTO PER LA RICOSTRUZIONE INDUSTRIALE S.p.A.

Global Offering of 502,680,000 Ordinary Shares of

BANCA COMMERCIALE ITALIANA

Offer Price 5,400 lire per Share and U.S. $32.05 per American Depositary Share

Global Coordinators

Lehman Brothers

Banca Commerciale Italiana

International Institutional Offering

142,285,000 Ordinary Shares

This portion of the offering was offered outside Italy and the United States by the undersigned.

Lehman Brothers

Banca Commerciale Italiana

Paribas Capital [redacted]
[redacted] Boston
Deutsche [redacted] Aktiengesellschaft
[redacted] Securities Limited
Barclays de Zoete Wedd Limited
Robert Fleming & Co. Limited
Indosuez Capital
[redacted] Bank Corporation
Yamaichi International (Europe) Limited
ABN AMRO Bank N.V.
BNP Capital Markets Limited
Creditanstalt-Bankverein
Dresdner Bank Aktiengesellschaft
Kleinwort Benson Securities
N M Rothschild and Smith New Court
Santander Investments
J. Henry Schroder Wagg [redacted] Co. Limited
[redacted] Européenne [redacted] Banque S.A. Luxembourg
Société Générale
[redacted] Limited
[redacted] Gundy Inc.

Italian Institutional Offering

65,670,000 Ordinary Shares

This portion of the offering was offered in Italy by the undersigned.

Banca Commerciale Italiana

ARCA SIM S.p.A.
Banca di [redacted] S.p.A.-Gruppo Cassa di Risparmio di Roma
[redacted] Nazionale [redacted] Lavoro S.p.A.
CARIPLO-Cassa di Risparmio [redacted] Provincie Lombarde S.p.A.
[redacted] SIM S.p.A.
Credito [redacted] S.p.A.
Istituto Bancario San Paolo di Torino
Istituto Mobiliare Italiano S.p.A.
Lehman Brothers
Monte dei Paschi di Siena Gruppo Bancario Monte dei Paschi di Siena
RASFIN Società di Intermediazione Mobiliare S.p.A.

U.S. Institutional Offering

54,725,000 Ordinary Shares or Rule 144A American Depositary Shares

This portion of the offering was offered in the United States by the undersigned.

Lehman Brothers

Goldman, Sachs & Co.

Merrill Lynch & Co.

J.P. Morgan Securities Inc.

Smith Barney Shearson Inc.

Italian Public Offering

240,000,000 Ordinary Shares

This portion of the offering was offered domestically in Italy by the undersigned.

Banca Commerciale Italiana

Banco di Chiavari [redacted] della Riviera Ligure S.p.A.
Banca di Legnano S.p.A.
Banca Sicula S.p.A.

Credito Italiano S.p.A.
Banca di Roma S.p.A.-Gruppo Cassa di Risparmio di Roma
Banca Nazionale del Lavoro S.p.A.
CARIPLO-Cassa di Risparmio delle Provincie Lombarde S.p.A.
Istituto Bancario San Paolo di Torino
Istituto di Credito delle [redacted] di Risparmio Italiane S.p.A.
Istituto Mobiliare Italiano S.p.A.
Monte dei Paschi di Siena Gruppo Bancario Monte dei Paschi di Siena

Banca CRT S.p.A.
Banca d'America e d'Italia-Deutsche Bank Group
Banca Popolare [redacted] Milano Soc. Coop. a r.l.
Banco Ambrosiano Veneto S.p.A.
[redacted] di Napoli S.p.A.
Credito Bergamasco S.p.A.
Credito Romagnolo S.p.A.

Banca Internazionale Lombarda-BIL
Banca Agricola Mantovana
Banca Agricola Milanese S.p.A.
Banca Antoniana
Banca del Salento S.p.A.
Banca di Trento e Bolzano
Banca Nazionale dell'Agricoltura
Banca Popolare dell'Emilia Romagna Soc. Coop. a r.l.
Banca Popolare di Ancona Soc. Coop. a r.l.
Banca Popolare di Bergamo- Credito Varesino Soc. Coop. a r.l.
Banca Popolare di Brescia
Banca Popolare di Lodi
Banca Popolare di Novara
Banca Popolare di Verona
Banca Popolare Vicentina
Banca San [redacted] di [redacted] S.p.A.
Banca Sella S.p.A.
Banca Toscana S.p.A.
Banco di Sardegna S.p.A.
Banco di Sicilia S.p.A.
Carimonte Banca S.p.A.
Cassa Centrale delle Casse Rurali Trentine S.p.A.
Cassa di Risparmio di Cuneo S.p.A.
Cassa di Risparmio Parma e Piacenza S.p.A.
Cassa di Risparmio di Reggio Emilia S.p.A.
[redacted] di Risparmio di Verona, Vicenza, Belluno [redacted] Ancona S.p.A.
Credito Agrario Bresciano S.p.A.
Credito Emiliano
Istituto Centrale di Banche e Banchieri S.p.A.

Banca Creditwest [redacted] dei Comuni Vesuviani S.p.A.
Banca Popolare dell'Etruria [redacted] del Lazio
Credito Valtellinese Soc. Coop. a r.l.
Banca C. Steinhauslin & Co. S.p.A.
Banca Popolare Commercio e Industria
Banco S. Geminiano e S. Prospero S.p.A.
Cassa di Risparmio in Bologna S.p.A.
CA.RI.TRO. Cassa di Risparmio di Trento e Rovereto S.p.A.
Credito Commerciale
Banca Popolare di Sondrio
Banco di Desio e della Brianza S.p.A.

GenerComit Distribuzione SIM S.p.A.
Akros Attimo SIM S.p.A.
Albertini & C. SIM S.p.A.
Aletti & C. SIM S.p.A.
BSI SIM S.p.A.
Caboto SIM S.p.A.
C.I.M.O. SIM S.p.A.
EPTASIM S.p.A. Società di Intermediazione Mobiliare
Ersel SIM S.p.A.
Euromobiliare SIM S.p.A.
Finanziaria Indosuez SIM S.p.A.
[redacted] Buramerica SIM S.p.A.
Giubergia Warburg SIM
Intercassa SIM S.p.A.
Intermobiliare SIM S.p.A.
PASFIN [redacted] SIM S.p.A.
[redacted] Società [redacted] Intermediazione Mobiliare S.p.A.
Sofipa SIM S.p.A.

Olivetti in link with US document distributor

By Andrew Hill in Milan

Docunet, a California-based company developing a system for [illegible] distribution of travel and other documents, has linked with Olivetti, [illegible] Italian computer group, and three other partners [illegible] build [illegible] network of touch-screen self-service machines in [illegible] US.

Over the next three years, the Italian company will supply Docunet with 6,000 machines, capable of delivering [illegible] documents or [illegible] tickets instantly to customers *in shopping malls, office buildings* or airports.

The agreement will be worth [illegible] to Olivetti, the Italian *company said. It* also said it [illegible] buy [illegible] in Docu[illegible] but did not say how large.

The agreement announced yesterday will [illegible] involve EDS, the computer services company owned by General Motors, which is to provide the network to link the machines.

Bell Atlantic, the telecommunications group, and Chemical Bank of the US will also take part in the scheme, helping to market Docunet *machines on* the east coast of the US.

Two agreements have already been signed with the *Giant* Food stores chain in the Washington area, and with the *Ralphs supermarket chain in* southern California, to install new machines in 170 shops by the end of the year.

Docunet said it had already signed agreements with American Airlines [illegible] USAir, [illegible] issue tickets through the Docunet system. "Certain large US [travel] agencies – US Travel, Thomas Cook, Travel One, [illegible] and Travelogue – intend to issue tickets through Docunet," the company added.

The system is the latest evi[illegible] *of the growing* [illegible] *of* "information superhighways" *in the* [illegible] likely [illegible] automatic [illegible] machines, and operate with credit cards or cash.

CPC in the red after shake-up

By Richard Tomkins in New York

The [illegible] restructuring plan recently announced by CPC International, the US food manufacturer, resulted in [illegible] net loss [illegible] in [illegible] second quarter, compared with net profits of $116.9m a year earlier.

Last [illegible] CPC [illegible] would shed 2,600 jobs from its [illegible] workforce [illegible] during [illegible] years, [illegible] part of [illegible] plan [illegible] increase efficiency by consolidating some of its manufacturing operations.

The company [illegible] warned [illegible] the restructuring would produce a pre-tax charge of $227m to second-quarter profits, equivalent to $137m after tax, and the shares rose $¼ to $49 in early trading yesterday.

CPC, whose brands include Hellmann's mayonnaise, Knorr soups and Mazola corn oil, said net income would have risen by 4.7 per cent to $122.4m with[illegible] restructuring charge, *and earnings per share from* 78 cents to 81 cents.

The growth was driven by a 9.9 per cent increase in world[illegible] from $1.69bn.

Part of this came from acquisitions, [illegible] CPC also [illegible] from [illegible] negative [illegible] of exchange [illegible] European currencies, which [illegible] the dollar in [illegible] second quarter.

[illegible] said [illegible] European operations [illegible] resumed strong earnings growth in [illegible] of [illegible] weak[illegible].

[illegible] substantially, and [illegible] Foods, [illegible] North American operation, "turned [illegible] acceptable performance [illegible] difficult [illegible]ment".

The second-quarter [illegible] per share was 11 cents.

For the first half, net income [illegible] from [illegible] after the restructuring charge, and earnings per share dropped from $1.34 to 52 cents.

Forecast hits Goodyear shares

By Patrick Harverson in New York

[illegible] in Goodyear [illegible] yesterday after the chairman of the US tyre group forecast record second-quarter earnings of between $158m and $164m, [illegible] $1.05 and $1.09 [illegible] share.

But the forecast [illegible] – which also represent a [illegible] *improvement on* [illegible] same [illegible] year ago, when [illegible] year [illegible] $137.6m, [illegible] 95 cents a share – were slightly lower [illegible] Wall [illegible] had [illegible] expecting.

Industry analysts [illegible] Goodyear would report earnings of [illegible] $1.10 and $1.15 [illegible] share in the quarter.

It [illegible] disappointment which prompted some inves[illegible] sell Goodyear shares yesterday. [illegible] one point, [illegible] stock was down [illegible] at [illegible] but later rallied to $35½, down $1½, *in late morning trading.*

Mr Stanley Gault, Goodyear's chairman, outlined the company's expectations for the second quarter in a television interview. [illegible] in [illegible] *period* [illegible] be just [illegible] marginally higher [illegible] a [illegible] ago. Excluding [illegible] from previously divested [illegible] however, April-to-June [illegible] should [illegible].

Mr [illegible] that demand for Goodyear products in North America was strong during the quarter, with plants running at near full-capacity, *and that Latin American and* Asian operations should report strong performances. The European market, however, [illegible] soft, said Mr [illegible].

Alcan posts profit after three years of losses

By Robert Gibbens *in Montreal*

Alcan Aluminium of Canada yesterday reported its first quarterly [illegible] profit since late 1991.

Net profit for the second quarter [illegible] US$7m, or 1 cent a share after preferred divi[illegible] against [illegible] loss of [illegible] or 18 [illegible] share, a [illegible] earlier.

Revenues were $2.07bn, up 11 [illegible] cent from [illegible] earlier [illegible] of higher volumes in *fabricated products* and [illegible] ingot prices and shipments.

Canadian operations improved and [illegible] US [illegible] a [illegible] profit with higher can sheet [illegible] Latin [illegible] made a small profit as it benefited from the improved fabricated products [illegible] in Brazil.

Europe continued to strengthen, with better results from fabricated products and alumina operations. Australia also recorded further improvement.

First-half revenues were up 7 per cent to $3.88bn, and the net loss was $18m, or 12 cents a share, against a loss of $55m, or 29 cents a share.

Mr Jacques Bougie, president, said Alcan continued to *be cautious for the near term.* [illegible] company was reaping ben[illegible] from [illegible] cost-reduction programme, [illegible] prices for [illegible]ricated products were only beginning to reflect recent gains in ingot.

[illegible] added that the large proportion of [illegible] fabricated product [illegible] were [illegible] on an annual basis, so the price improvement would be seen later this [illegible] and early in 1995.

[illegible] shipment [illegible] ingot and fabricated products [illegible] 1,386,000 tonnes in the [illegible] half, [illegible] 1,218,000 [illegible] time. Fabricated volumes [illegible] a peak in the second quarter.

Alcan is selling [illegible] its remaining building products plants in North America, for a *price estimated by analysts to* be more than $100m, and will [illegible] *on its basic smelting* and fabricating operations worldwide.

Kidder Peabody dismisses senior options trader

By Graham Bowley

Kidder Peabody, the US investment bank which dismissed its top US bond trader in April, accusing him of faking $350m in profit, faces further embarrassment following the revelation that it has fired a senior London options trader for allegedly concealing about $6m in losses.

Mr Peter Bryant, 34, a senior vice-president of the company's futures and options operations in London, is alleged to have hidden losses, incurred during recent bond market volatility, on trades of French and Spanish government bond options. *Mr Bryant denies the allegation.*

Company officials said yesterday the concealment was discovered last month during normal review procedures.

The sacking raises fresh questions about the effectiveness of the way the company monitors the activities of its traders.

"The normal controls worked well," said Mr Tony Zehnder, director of public relations at Kidder Peabody in New York. [illegible] that Mr Bryant's dismissal was unrelated to the sacking in April of Mr Joseph Jett, the head of Kidder's gov*ernment bond trading desk in* New York, for allegedly conjuring up $350m of fictitious profits through his bond trading *activities to mask losses of as* much as $100m.

Mr Jett has since hit back, suggesting senior Kidder executives were aware of his trading strategy and saying he is being made a scapegoat. The case is in arbitration.

Soon after firing Mr Jett, Kidder, a unit of General Electric, dismissed Mr Neil Margolin, a trader on its interest rate swaps desk in New York, for concealing about $10m in losses from derivatives trades.

As a result of Mr Bryant's alleged concealment, the company will make a $10m write-down against pre-tax profits, of which $6m is directly attributable to Mr Bryant's activities, it *said. The remaining $4m is* due to a change in the way it prices its options positions.

The volatility in European bond markets, blamed for the losses, has led Kidder to cut its options positions by about 35 per cent in the past week alone. Officials said this year the company has cut its opti[illegible] portfoli[illegible] to about $3.3bn from more than $6bn.

Mr Bryant joined Kidder in 1986, from Lazard Frères. He was the company's leading futures and options salesman in London for several years *and earlier this year was pro*moted to his position as senior vice-president.

Alusuisse sells Lonza Graphites to Mircal

By Frances Williams in Geneva

Alusuisse-Lonza Holding, the [illegible] has [illegible] Lonza Graphites and Technologies unit to Mircal, a subsidiary [illegible] Immetal of France. The price [illegible] not [illegible].

[illegible] the unit [illegible] fit into its core chemicals businesses of [illegible] speciality and [illegible] chemicals. [illegible] with [illegible] 1993 [illegible] *of SFr57m* [illegible] *and gross* earnings of [illegible] makes synthetic [illegible] and [illegible] for high temperature applications.

[illegible] is nearing [illegible] of a [illegible] restructuring [illegible] involving [illegible] sale [illegible] loss-making and non-core activities.

Lonza Graphites, which has [illegible] manufacturing [illegible] Switzerland, will [illegible] with the industrial [illegible] division [illegible] Immetal, another diversified [illegible] with [illegible]ties in [illegible] materials and metals processing.

Last year Immetal [illegible] gross profits of [illegible] on [illegible].

INTERNATIONAL COMPANIES AND FINANCE

Japan's banks get tough on debt

Sumitomo Trust's acquiescence in [illegible] bankruptcy may suggest hardening attitudes, writes Gerard Baker

The decision last week by Sumitomo Trust and Banking Corporation to acquiesce in the bankruptcy of one of its larger debtors raised a few eyebrows in Japanese financial circles.

Having been in intensive care for the past three [illegible] Nippon Mortgage Co was allowed to [illegible] under with debts to Sumitomo Trust [illegible] more than Y120bn [illegible]

The liquidation [illegible] questions about the [illegible] non-bank financial institutions – companies like Nippon Mort[illegible] which represent the [illegible] link in the fragile financial system – but also about the larger banks' strategy for dealing with the mountain of bad debts they hold.

Some analysts saw the readiness of Sumitomo Trust to [illegible] to the liquidation as further [illegible] of [illegible] more aggressive approach to [illegible] writing-off of bad debts.

Mr Mark Faulkner, banking analyst at S.G. Warburg in Tokyo, [illegible] "Sumitomo Trust's [illegible] suggests a new [illegible] of confidence, which is shared by other banks, about the fundamental health of banking operations."

The bank is likely to be able to meet the write-off by using only a small proportion of its unrealised gains on equity holdings.

Sumitomo Trust's action was said to have filled the boardrooms of some non-banks with alarm at the prospect of other large banks taking a similarly aggressive approach to the bad debt problem.

[illegible] what are the prospects [illegible] banks [illegible] adopt such [illegible] their non-bank debtors?

The main companies in difficulty are the housing loan (*jusen*) companies. These were established in the 1970s by the large commercial banks for the explicit purpose of residential mortgage lending, an area where the leading banks faced restrictions on their activities.

For more than a decade the residential property sector was the *jusen's* main market, but in the 1980s the rules were relaxed so that banks themselves could take that business.

Casting around for a profitable market niche, the *jusen* hit upon the commercial real estate market, at that time in the early stages of the 1980s boom. With near abandon, they lent thousands of billions of yen, secured [illegible] seen as a rock solid property market, for the next few years – until the bubble burst at the [illegible] of the decade.

Since then it has [illegible] estimated that as a [illegible] of the lending spree, as much as 60 per cent of the *jusen* total loan book may be non-performing.

All this would simply be another story of post-bubble collapse, if it were not for the fact that the companies' primary source of funds was the main commercial banks – already burdened with non-performing loans of their own. The banks are therefore left with an estimated Y12,000bn in loans to the *jusen*.

The main approach in dealing with the problem loans has been "restructuring" of the housing loan companies' debt. The ministry of finance – as ever, anxious to avoid a large collapse – has orchestrated the strategy.

The current plan is aimed at spreading the burden [illegible] the leading banks.

Of the main lenders, [illegible] country's agricultural banks have the [illegible] exposure to the non-banks – accounting for nearly half the total lending.

Though precise figures are sketchy, it appears that interest paid to them on the debts of the housing loan companies has been cut to 4.5 per cent. [illegible] other banks – notably trust banks, who have been particularly hard hit by the non-banks' problems – are lending at 2.5 per cent or lower.

Some of the healthier banks would undoubtedly like simply to cut their losses on these non-performing loans. But while they may be able to deal with smaller debtors in this way, liquidating the *jusen* is unlikely to be easy.

For one thing, while the finance ministry might be content to see the isolated disappearance of a few finance companies like Nippon Mortgage, it would surely balk at a domino-like collapse of non-banks.

Later this year, under ministry of finance guidance, banks will start to establish special purchase companies to which they will be able to sell their non-performing loans at a discount, partially removing them from the balance sheet.

But more important, the banks themselves would find it difficult to turn off the life support system of the *jusen*.

Nippon Mortgage was a special case, since its liabilities were heavily weighted towards one bank – Sumitomo Trust. [illegible] *jusen's* liabilities [illegible] spread across many of the commercial banks, and any decision to liquidate would need to be taken in agreement with all the banks – notoriously hard to achieve, since some banks are healthier than others and would be more willing to act.

In any case, commercial logic does not dictate that the banks should bring about the closure of more than a few small non-banks. Many of the non-banks, though technically insolvent, are able to maintain positive cashflow, since their interest payments to the banks are now so low.

As Mr David Threadgold, banking analyst at BZW in Tokyo, says: "It is as though the housing loan companies are brain dead, but on life support. Their cashflow is such that they can continue operating for some time."

Any decision by banks to turn off the machine would expose the balance-sheet problems of the non-banks, and reveal the true scale of their bad debt problem – something that they may not yet wish to do.

Motorola surges 64% but warns of growth slowdown

By Richard Tomkins in New York

Motorola, [illegible] semiconductor group, reported a 64 per cent rise in net profits from $224m to $367m for the second quarter, but said higher interest rates could slow the pace of growth in the US [illegible].

In April Motorola's shares lost about 10 per cent of their value when Wall Street took fright at earnings growth that fell short of its expectations. Analysts had ratcheted up their forecasts after being surprised by higher-than-expected earnings in earlier quarters.

Turnover in the second quarter rose from $3.94bn to $5.44bn. Net margin on sales was 6.7 per cent compared with 5.7 per cent a year earlier and 6.6 per cent in the first quarter.

Fully [illegible] earnings per share, restated for a two-for-one share split in April, rose from 40 cents [illegible] year earlier to 63 [illegible]. Half-year earnings rose from $428m to $665m.

In the general systems sector, sales rose by 75 per cent to [illegible] and [illegible] per [illegible] $1.7bn and orders [illegible] up 17 per cent, [illegible] said. Communica[illegible] per cent to [illegible] per cent.

Mr Gary Tooker, vice-chairman and chief executive, said US [illegible] been doing very well, although interest rates could moder[illegible] of growth. European and Japanese markets were strengthen[illegible] experiencing high rates of growth in [illegible] Asia-Pacific region, [illegible] America and emerging [illegible].

Advance Bank climbs 81% and lifts payout

By Bruce Jacques in Sydney

Advance Bank, the regional Australian financial services group, has announced an 81.5 per cent increase in net earnings in the year to May following large reductions in bad debt [illegible] problem-loan provisions.

The bank [illegible] annual dividend from 50 cents to 80 cents a share after lifting earnings to A$101.4m (US$74.1m) from A$55.9m on a 23 per cent rise in total loans and advances to A$8.2bn.

Total bad debt write-offs fell almost 95 per cent to A$2.1m and non-performing [illegible] on [illegible] bank's [illegible] 81 [illegible] A$16.0m.

Mr Jim Service, the bank's chairman, said the result was achieved in spite of pressure on margins.

He said the bank's total capital adequacy ratio eased from 11.75 to 11.54 per cent in the year.

The result followed a tax provision of A$57.6m, compared with A$45.2m previously, and deprec[illegible] of A$30.7m, compared [illegible]

[illegible] per [illegible] from A$282.7m [illegible]

● Parker & Parsley, the US oil group, has taken control of [illegible] Oil, th[illegible] oil [illegible] over bid.

Acceptances [illegible] bid, [illegible] today, yesterday [illegible] & Parsley more than 51 [illegible] of Bridge's [illegible]

● Woolworths, [illegible] retailer, lifted sales [illegible] from A$10.49bn [illegible] A$11.48bn in [illegible] June.

The result exceeds prospectus forecasts issued when the [illegible] in [illegible]

Directors [illegible] performance easily [illegible] Australian retail [illegible] growth of around [illegible] in [illegible] period and they were confident the [illegible] would [illegible] profit forecasts for the [illegible]

Watchdog reprimands Theodoulou

By Simon Holberton in Hong Kong

Mr Raymond Theodoulou, the former chief executive of Standard Chartered Securities, has been reprimanded by the Securities and Futures Commission (SFC), Hong Kong's corporate watchdog, for failing to exercise proper management of the company.

The SFC said yesterday that Mr Theodoulou had voluntarily surrendered his dealer and investment adviser registrations and undertaken not to apply for re-registration until the beginning of 1995.

[illegible] last month, the [illegible] sternly [illegible] Chartered for funding illegal share support operations in Hong Kong at the time of initial public offerings (IPOs) in which it or its merchant bank was adviser. It banned the securities company from participating in IPOs until April next year.

In a statement yesterday, the [illegible] Mr Theodoulou had failed [illegible] "exercise proper management, supervision and control" over the securities company.

In mitigation, however, the SFC said he did not join Standard Chartered until April 1992 and was therefore chief executive for only the latter half of the period covered by the SFC's investigation, which ran from July 1991 until March 1993.

The SFC admitted that the activities for which he was reprimanded were already "well established" at Standard Chartered and that Mr Theodoulou made "a material contribution to the control and compliance environment" of the securities company.

Australian court blocks takeover

The A$501m (US$366m) takeover bid by Rank Commercial, the New Zealand wholesaler, for Foodland Associated, the Australian grocery group, has been temporarily blocked by an Australian court, writes Bruce Jacques.

The Federal Court yesterday granted an injunction blocking the bid for two months to allow a final hearing on the matter on July 29.

The injunction was sought by the Trade Practices Commission, the Australian regulatory [illegible]

Further dollar weakness helps European sector

By Graham Bowley and Conner Middelmann in London and Patrick Harverson in New York

European government bond markets moved further ahead yesterday, as the more positive tone of recent days continued.

Markets were bolstered by investors continuing [illegible] switch out of US bonds into European bonds, due to further dollar weakness. The higher-yielding markets, such as the UK and Italy, performed particularly well.

■ German government bonds rose sharply in early trading amid growing confidence about the prospects for low German inflation and expectations that the US will not act to support the dollar by raising short-term interest rates.

The market fell back slightly in later, volatile trading but retained its positive tone, finding firm support at lower levels.

Analysts reported buying by retail investors and fund man[illegible], [illegible] money being switched from the short end to the long end of the yield curve, and some cash activity among small domestic buyers.

"There is the feeling that we have [illegible] the lows [illegible] the year," said Mr Peter Kerger, head of futures and options at NatWest Markets in Frankfurt. "The economic fundamentals are good and the strong D-Mark is encouraging to a low-inflation background."

Attention is now on next Wednesday's auction by the Bundesbank of 10-year government bonds. This will test market sentiment after recent auctions were cancelled due to lack of demand.

The September bund contract [illegible] Liffe was up 0.46 points at [illegible] in [illegible] trading.

■ Although sterling weakened further against the D-Mark, UK gilts outperformed their German counterparts, ending about ¾ points higher. Profit-taking in the afternoon pushed prices off their highs, but traders said this did not dent the market's [illegible] positive mood.

"I [illegible] a bit more hopeful, especially [illegible] been going up at a smooth and steady pace," said Mr Ian Shepherdson, UK economist at HSBC Greenwell.

Traders were also squaring their positions ahead of today's average earnings and inflation data. Most are looking for an unchanged average earnings rate of 3¾ per cent, and the retail prices index at 2.7 per cent year on year and 2.6 per cent excluding mortgages.

■ After lagging most of Europe on Monday, Italian bonds yesterday posted the biggest gains in Europe. The September BTP futures contract on Liffe jumped by 1.70 points [illegible].

Most of the gains [illegible] futures-driven, with retail [illegible] preferring [illegible] sidelined until the government [illegible] medium-term budget plans. It [illegible] expected to announce the outline of [illegible] three-year [illegible] plan today, with the details likely [illegible] be published [illegible] Wednesday.

There was widespread optimism that the government will offer a solid budget containing no tax give-aways. "The market wants to see facts, and those are increasingly pointing in the right direction," said [illegible] Marco Pianelli, southern Europe economist [illegible] Nomura Research Institute.

■ US Treasury prices inched lower yesterday after fresh declines in the dollar overshad[illegible] good [illegible] on inflation.

Just [illegible] midday, the benchmark 30-year government bond [illegible] 82¾, yielding 7.732 per cent, and the two-year note was unchanged at 99¾, yielding 6.256 per cent.

Prices firmed at the opening after the Labor Department reported that producer prices were flat in June, and "core" producer prices – a measure which excludes the volatile food and energy components – actually fell 0.1 per cent. Both figures were [illegible] than analysts had been expecting.

The early gains [illegible] Treasuries, however, did [illegible] long [illegible] the market was unsettled by [illegible] in the dollar – late yesterday morning [illegible] down to a new post-1945 [illegible] against [illegible] of Y96.93, and had fallen against the D-Mark [illegible] DM1.52, the lowest [illegible] since November 1992.

Investors in Treasuries fear that – the good inflation news notwithstanding – the Federal Reserve might decide to push up interest rates to support the ailing US currency. Analysts, however, said the Fed certainly would not make a move until after today's release of the [illegible] consumer [illegible] data.

GOVERNMENT BONDS

European banks lift lending share

By Tracy Corrigan

European banks have sharply increased their share of international bank lending, at the expense of [illegible] and [illegible] competitors, according to the latest survey by the Bank for International Settlements, covering the second half of 1993.

[illegible] market share of European Union banks reached 45 per cent at the end of 1993, up from 40.6 per cent in 1990 and 34.8 per cent in 1985, while North American banks have seen their share fall from 27.8 per cent at the end of 1985 to 14.7 per cent at the end of 1993.

Among EU banks, German banks have the largest market share, with 35 per cent, followed by French and UK institutions with 22 per cent and 16 per cent respectively.

The decline of North American banks reflects their retrenchment from international markets, due to problem loans and the deterioration in their credits, and a refocusing on domestic lending.

The BIS report also noted a shortening in the maturity profile of bank loans. The proportion of loans up to and including one year, which has increased almost continuously since 1989, breached the 50 per cent mark at the end of 1992, and stood at a record of nearly 54 per cent at the end of 1993.

Cross-border claims were relatively static at $687bn, down slightly from $689bn in [illegible] on end-1991 levels. [illegible], the [illegible] of lending to developed and developing countries has shifted, with a rise of $33bn in lending to developing countries since the end of 1991. Lending to eastern Europe has fallen from $92.5bn at end-1992 to $83.9bn.

Finland's $1.5bn global issue priced to attract US investors

By Tracy Corrigan

A stronger tone to government bond markets yesterday helped provide a marginally better backdrop for the launch of two global bond offerings, totalling $3bn, for Freddie Mac, the US mortgage agency, and Finland. However, the weakness of the dollar continued to dampen European and Asian demand for dollar-denominated paper.

Finland's $1.5bn issue of 10-year bonds was launched at an indicated yield spread of 55 basis points over the 10-year US Treasury. Dealers said that initial indications had suggested a spread of 50 basis points, but the wider margin proved necessary in order to attract US investors.

Because of the weakness of the dollar, the deal had to be priced to sell to US investors, dealers said. Normally, the bid for a European sovereign borrower such as Finland would be stronger in Europe than the US.

"Our experience [illegible] moment is [illegible] European [illegible] will only come in when they see an anchor bid in the US," said one head of syndicate in London. This means that in many cases new issues are being priced more generously than secondary market levels would indicate.

Freddie Mac's debut global offering, launched after several weeks of investor roadshows, benefited from having a five-year rather than a 10-year maturity, which allowed the deal to draw in European retail [illegible]. The [illegible] will [illegible] priced today at [illegible] indicated spread of 16 to 18 basis points over [illegible] five-year Treasury yield.

In [illegible] floating-rate [illegible] tor, Italy's [illegible] tranches of [illegible] in dollars, yen [illegible] D-Marks were all priced yesterday in the middle of the ranges indicated (12 basis points over Libor for the dollar tranche, nine basis points for the yen tranche and 13 for the D-Mark tranche). In spite of its more generous pricing, dealers said the D-Mark segment was struggling somewhat.

In the sterling domestic market, Kilroot Electric, guaranteed by Kilroot Power, a North[illegible] Irish power station, launched [illegible] of bonds via BZW and Salomon Brothers.

The deal [illegible] limited [illegible] financing [illegible] power [illegible] in Europe through [illegible] bond issue. However, in the [illegible] privatisation, many power projects [illegible] now approaching [illegible] maturity where refinancing in the bond market may be attractive.

The proceeds will be used to repay existing bank debt. The issue has a semi-annual coupon of 9.5 per cent and an average [illegible] 16.4 [illegible] and a sinking [illegible] it [illegible] placed mainly with UK pension funds and insurance companies.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

[illegible]	Amount m.	Coupon %	[illegible]	Maturity	[illegible] %	Spread [illegible]	Book runner
US DOLLARS							
Republic of [illegible]	1.5bn	(a)#	(a)R	Jul.2004	0.35R	[illegible] (7¼%-04)	Merrill [illegible]
Freddie Mac	1.5bn	(a)#	(a)R	[illegible]	0.25R	(b) [illegible]%-99)	G.Sachs/Salomon Brothers
[illegible]	[illegible]	(c1)	100.00	Jul.2004	undisd.	-	[illegible] International
[illegible]							
[illegible] Export [illegible]	10bn	3.10	[illegible]	[illegible]	[illegible]	-	[illegible]
EVN(e)**	5bn	5.20#	[illegible]	[illegible]	[illegible]	-	Deutsche [illegible] London
[illegible]	5bn	3.10	[illegible]	[illegible]	undisd.	-	[illegible]
[illegible]	2.3bn	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]
D-MARKS							
[illegible] Local [illegible]	300	[illegible]	[illegible]	[illegible]	0.25R	[illegible]	CSFB-Effectenbank
Synx Corp.**‡	60	(h)	[illegible]	[illegible]	undisd.	-	Sanwa [illegible]
CANADIAN DOLLARS							
[illegible] Intl.Fin.(Curacao)	100	8.00	[illegible]	[illegible]	[illegible]	+25 (i)	Daiwa Europe
AUSTRALIAN [illegible]							
[illegible]	75	9.50	[illegible]	[illegible]	[illegible]	-	[illegible]
SWISS FRANCS							
Daishinku Corp.(d,j)**§	70	0.1250	[illegible]	[illegible]	-	-	[illegible] Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. **Private placement. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today. b) [illegible]-18bp over Treasuries. c) Callable on 19/7/99 at par. c1) 6-mth Libor +90bp to 19/7/99 and +130bp [illegible]. d) Short 1st coupon. e) Puttable if State of Lower Austria reduces stake below 51%. f) Short 1st [illegible] long last coupons. g) Callable on 19/10/99 at par. g1) 6-mth Libor +90bp (1st coupon 3-mths) to 19/10/99 and +130bp thereafter. h) 6-mth Libor +30bp. [illegible] Over interpolated yield. j) Fixing: 18/7/94.

Thailand SE offers full brokers [illegible] at Bt300m

By Victor Mallet in Bangkok

The Stock Exchange of [illegible] (SET) is offering four [illegible] for full [illegible] Bt300m [illegible] a [illegible] giving sub-brokers until the end of this month [illegible] apply.

The brokers should start trading by the end of this year. A further [illegible] are to be [illegible] and [illegible] allowed in thereafter.

[illegible] present [illegible] 40 [illegible] brokers, and sub-brokers have to deal through them and share their commissions.

Leading sub-brokers contending for [illegible] new seats include [illegible] Fleming Than[illegible] (which [illegible] per cent [illegible] by Jardine Fleming), Ekachart Finance and [illegible] (which [illegible] and trading agreement with James Capel), [illegible] Capital, and [illegible] and Securities.

The SET said new brokers would pay a Bt200m fee, plus 10 per cent of their monthly commissions for five years, up to a maximum of Bt100m.

According to Mr Seri Chintanaseri, the SET's president, the exchange may revoke the licences of existing brokers if they fail to meet the criteria set for new members.

Mr Tarrin Nimmanahaeminda, the Thai finance minister, says the offer of more licences is a way of liberalising the financial sector in preparation for foreign competition. At present, foreign companies can [illegible] only minority [illegible] in Thai stockbrokers.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	[illegible]	Day's [illegible]	[illegible]	[illegible] ago	[illegible] ago
Australia		9.000	[illegible]	95.6400	+0.370	9.66	[illegible]	8.94
Belgium		7.250	04/04	95.8500	[illegible]	[illegible]	8.06	[illegible]
Canada *		6.500	06/04	92.5000	[illegible]	[illegible]	9.28	[illegible]
Denmark		7.000	12/04	91.2500	+0.500	[illegible]	8.51	8.07
France	BTAN	6.000	05/98	103.8500	+0.160	6.90	6.90	6.79
	OAT	5.500	04/04	[illegible]	+0.390	[illegible]	[illegible]	7.46
[illegible]	[illegible]	6.750	05/04	99.3000	[illegible]	6.85	7.10	7.10
Italy		8.500	01/04	88.4500	[illegible]	[illegible]	10.51	10.09
Japan	[illegible]	[illegible]	06/99	105.2120	+0.220	3.66	[illegible]	3.54
	No [illegible]	4.100	12/03	98.4590	[illegible]	4.35	4.39	[illegible]
Netherlands		5.750	[illegible]	92.1600	+0.050	6.90	[illegible]	[illegible]
Spain		8.000	05/04	84.1500	+0.550	10.87	11.01	10.18
[illegible] Gilts		6.000	08/99	91-25	+12/32	8.01	8.27	8.22
		[illegible]	11/04	89-18	+20/32	8.28	8.60	[illegible]
		9.000	10/08	105-18	+22/32	8.33	8.62	8.56
US Treasury *		7.250	05/04	98-18	-2/32	7.46	[illegible]	[illegible]
		6.250	08/23	83-02	-	7.72	7.61	7.30
ECU (French Govt)		6.000	04/04	87.2200	+0.570	7.92	[illegible]	7.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at [illegible] per cent [illegible])
Prices: US, [illegible] in 32nds, [illegible] in decimal. Source: MMS International

US INTEREST RATES

Lunchtime. Treasury Bills and Bond [illegible]

Prime rate	7¼	One month	[illegible]	Two year	6.28
Broker loan rate	[illegible]	Two month	4.40	Three year	6.[illegible]
Fed.funds	[illegible]	Three month	4.59	Five year	[illegible]
Fed.funds at [illegible]	-	[illegible] month	5.11	[illegible]	[illegible]
		[illegible] year	[illegible]	[illegible]	7.72

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

■ [illegible] OPTIONS (LIFFE) DM250,000 points of [illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lire 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.55	104.83	+1.53	105.00	103.42	49367	59055
Dec		103.83	+1.53			0	110

■ ITALIAN GOVT. [illegible] (BTP) FUTURES OPTIONS (LIFFE) Lire200m 100ths of 100%

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE)

Ecu

■ ECU BOND FUTURES (MATIF)

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE)

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jul 12	Day's [illegible] %	Mon Jul 11	[illegible] interest	xd adj. ytd
1 Up to 5 years (24)	122.05	+0.29	121.70	2.07	5.82
2 [illegible] years (22)	142.30	[illegible]	141.26	2.32	[illegible]
3 [illegible] 15 [illegible] (5)	160.06	+0.88	158.64	2.24	6.57
4 Irredeemables (6)	181.90	+1.18	179.78	1.88	7.38
5 [illegible] stocks (61)	139.66	+0.82	138.80	2.24	8.43

Yields	Low coupon yield Jul 12	Jul [illegible]	Yr. ago	Medium coupon yield Jul 12	Jul 11	Yr. ago	High coupon yield Jul 12	Jul 11	Yr. ago
5 yrs	8.07	[illegible]	6.80	8.24	8.36	6.94	8.32	8.44	7.14
15 yrs	8.22	[illegible]	7.83	8.36	8.47	[illegible]	8.62	8.72	[illegible]
[illegible]	8.18	8.26	[illegible]	8.36	[illegible]	[illegible]	8.46	8.56	8.22
[illegible]	8.29	8.39	8.12						

Index-linked

Debentures and Loans

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

SWISS FRANC STRAIGHTS

DEUTSCHE MARK STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

UK GILTS PRICES

Other Fixed Interest

Fl 113.3m acquisition of Imca to be funded by £42m rights issue

Dutch purchase for Waddington

By Tim Burt

John Waddington, the packaging, printing and games company, yesterday announced a strategic expansion into Europe with the Fl 113.3m (£41.7m) acquisition [redacted] Imca Beheer, [redacted] privately owned Dutch cartons business.

The deal, funded by [redacted] £42m rights [redacted], is expected [redacted] transform the company from [redacted] UK-dominated group into [redacted] pan-European food [redacted]ckaging business.

Mr Martin Buckley, [redacted] executive, said Imca would complement Waddington's existing operations – supplying blue-chip clients such as Cadbury and Nestlé – and provide access [redacted] a wider [redacted]tomer base.

"The acquisition should [redacted] us at the [redacted] car-ton packaging industry in Europe and provide improved prospects for medium-term earnings growth," [redacted] said.

Yesterday's announcement followed lengthy negotiations between Imca and [redacted]addington, which [redacted] been looking [redacted] establish [redacted] European [redacted] since [redacted] last year.

The group [redacted] a number of approaches [redacted] Mr Buckley [redacted] only Imca met [redacted] profitability, modern manufacturing techniques and [redacted] order book.

The Dutch manufacturer, based [redacted] Hoogerheide near [redacted] border, made operating profits [redacted] turnover of Fl 73.1m in the [redacted] to December 31.

Waddington will pay Fl 71.5m [redacted] share capital and Fl [redacted] inter-company [redacted] Imca Holding, [redacted] private company controlled by [redacted] Baartmans, the group's founder [redacted] chief executive. Mr Baartmans is expected [redacted] act as [redacted] consultant [redacted] enlarged [redacted] year.

If the deal is approved at an extraordinary meeting [redacted] this month, Waddington [redacted] holders will [redacted] new ordinary [redacted] at 190p. The issue, underwritten by [redacted] Fleming [redacted] Cazenove [redacted] brokers, is being [redacted] on a 2-for-7 [redacted].

Recommending the [redacted] yesterday, Mr Buckley [redacted] contributions from [redacted] would enhance profits this year.

[redacted] are [redacted] grow with [redacted] North America, [redacted] the provisions [redacted] held [redacted] year's results [redacted] unlikely [redacted] be repeated.

A [redacted] provision [redacted] a US antitrust investigation involving [redacted] Waddington subsidiaries pegged pre-tax profits to £8.07m in the year to April 2.

● COMMENT

The Imca acquisition raises the prospect of long-term growth [redacted] Waddington. It offers access to new markets and gives the [redacted] weight in negotiating [redacted] raw material prices. However, [redacted] shares fell 9p to 221p on fears that the purchase price could be expensive if the Dutch company proves earnings dilutive. Yet the strategic arguments behind Waddington's expansion [redacted] persuasive. It will [redacted] product synergies [redacted] substantial cost savings. With the shadow lifted [redacted] US antitrust [redacted] first-time contributions from Imca, profits this year are expected [redacted] The shares, on a multiple [redacted] are worth considering.

Healthcall shares fall despite OFT statement

By David Wighton

Shares in Healthcall, the UK's largest provider [redacted] out-of-[redacted] doctors, fell 9p [redacted] 87p yesterday despite a statement from the Office of Fair Trading saying it had no evidence that allegations of anti-competitive [redacted] had any [redacted].

On Monday, the [redacted] said it would [redacted] "preliminary inquiries" into allegations in the [redacted] regarding Health-[redacted] potential competitors. Yesterday's [redacted]ment said: "At this stage the OFT is merely seeking to establish the facts."

Started 30 years ago, Healthcall's service provides GPs with the out-of-hours cover they are obliged to supply.

Under an exclusive agreement first signed in 1966 the BMA promotes Healthcall's service and monitors its standards in return for a fee set at 0.5 per cent of revenues.

Ms Dawn Primarolo, shadow health minister, has asked the OFT to consider whether the agreement falls under the Restrictive Practi[redacted].

[redacted] Monday that it fell outside the scope of the Act and yesterday added that a [redacted] had been made in June that it did not need to be referred to the [redacted].

[redacted] allegations [redacted] the [redacted] monopoly Healthcall has in many urban [redacted] GPs who attempt to set up co-operatives [redacted] compete [redacted] it.

[redacted] company [redacted] the allegations [redacted] politically moti-[redacted] threatened to cut off its ser-[redacted] GPs [redacted] they [redacted] moves to set up co-operatives.

Dr John Cockburn, managing director of [redacted] smaller rival Nestor Medical Duty Services, said that in many [redacted] urban [redacted] there was room for only one duty doctor service and it was reasonable [redacted] Healthcall to warn GPs that it might have to pull out.

Management buy-out at Dollond & Aitchison

By Simon Davies

Gallaher, the UK subsidiary of [redacted] Brands, [redacted] sold [redacted] UK's largest optical retailer. Dollond [redacted] Aitchison, [redacted] its [redacted] European optical busi-[redacted] its management [redacted].

[redacted] Peter Wilson, Gallaher's chairmen and [redacted] executive, [redacted] the optical [redacted] it "does not form part of our plans for the strategic development [redacted] group", which [redacted] substantial UK interests in tobacco, spirits, retail distribution [redacted].

[redacted] buy-out [redacted] of the largest in Europe [redacted] year, with total financing amounting [redacted] more than £100m, split equally between debt and equity.

There have been two earlier attempts at an MBO since late 1992. These fell through [redacted] of [redacted] complexity of the pan-European transaction, [redacted] uncertain economic climate, and the devaluation of the peseta in November 1992 and May [redacted].

The successful transaction [redacted] led by CVC Capital [redacted] part [redacted] Citicorp Ventures, while the debt portion was led by NatWest Acquisition Finance.

CVC [redacted] it planned to float the [redacted] within the next [redacted] The venture capital-[redacted] owns 90 [redacted] cent of D&A's equity, with [redacted] remainder owned by the senior management, who will remain with [redacted] company.

D&A [redacted] £240m in the year to November 27 [redacted], and a trading profit [redacted]. In addition [redacted] UK business, which [redacted] 13 [redacted] cent [redacted] share, D&A owns the largest optical chain in Spain, General Optica, and Italy, where it trades under the Salmoiraghi Vigano [redacted]. It also operates outlets in the IrishRepublic.

The UK and Spanish businesses contribute the bulk of earnings, but the company [redacted] owns [redacted] Keeler optical instrument company. The group employs [redacted] people.

Gallaher purchased [redacted] from Slater Walker [redacted] 1970, and built up its European presence.

Mr Peter Coldwell, D&A's chief executive, said: "As a bank-backed business it may make us sharpen our pencils, [redacted] I don't think you will see [redacted] dramatic change in strategy."

The UK business, which fell into [redacted] at the outset [redacted] the recession in 1989, [redacted] recovering rapidly. Mr Coldwell said D&A planned [redacted] build up the number [redacted] franchise outlets.

Birse losses cut sharply to £2.7m

By Andrew Taylor,
Construction Correspondent

For the third year running Birse Group, the construction [redacted], has announced [redacted] annual pre-tax loss. The deficit, however, was reduced substantially from £18.5m to £2.7m for the 12 months to the end of April.

The group yesterday [redacted] that it had moved [redacted] an [redacted] loss before interest of £14.3m to a profit of [redacted]. It was helped [redacted] the absence of provisions on commercial property [redacted] the company £3.48m last time.

The contracting division also turned round from [redacted] £9.46m loss to [redacted] £1.12m profit, with no repeat of the problem contracts which severely dented the 1993 results.

The group still made an overall loss in spite of reduced interest charges of £3.56m (£4.22m). Mr Peter Birse, chairman, said: "Despite evidence of an improvement in all our markets; construction margins [redacted] be depressed by surplus capacity in the industry."

Peter Birse: construction margins continue to be depressed

Turnover increased by 7 per [redacted] from [redacted] £351m. Losses per share emerged at 2.3p (19.4p), and again there is no dividend.

The plant hire division increased operating profits from £606,000 to £871,000, while the small housebuilding division, which sold 115 homes last year, moved from [redacted] £1.39m loss to [redacted] £71,000 profit.

Birse also sold some of its remaining [redacted] properties, for £6.8m, making a small book profit and further reducing [redacted] borrowings. Overall, commercial property made [redacted] £21,000 loss (£4.04m).

The biggest improvement has been [redacted] the company's balance sheet. Net debt following last year's £24m share placing had fallen to £11.8m by the end [redacted] April, equivalent to [redacted] of [redacted] from £12.4m to £33.8m.

The company said that in the [redacted] of property sales it would expect to maintain gearing [redacted] of about [redacted].

● COMMENT

Birse, having [redacted] the recession by retaining the support of [redacted] shareholders, [redacted] now rebuild its fortunes. Margins [redacted] improving, but competition for work remains intense and progress [redacted] slow. Housebuilding may be leading the industry out of recession, but [redacted] housing operation is too small [redacted]. Commercial property sales should improve the balance sheet further. Pre-tax profits, depending on these sales, may top £1m this year, but [redacted] to dividends is some [redacted] and [redacted] will need to see firmer evidence of improvement.

Hasbro gives up on Spear

By David [redacted]

[redacted] yesterday [redacted] in [redacted] hand in [redacted] battle for JW Spear, [redacted] maker [redacted] Scrabble, and [redacted] accept [redacted] £11.50 a share bid [redacted] toy [redacted].

It described the £62m offer as "very generous and [redacted] a [redacted] justify in [redacted] terms".

The decision ends a fierce scrap over Spear, [redacted] a share bid for the company at [redacted] end [redacted] May. It had held a 26.7 per cent stake since 1990 and [redacted] received undertakings from the trustees of some Spear [redacted] per [redacted] stake unless [redacted] higher offer was received within [redacted] working days.

[redacted] knight, Hambro, Spear's [redacted], persuaded Mattel to launch [redacted] rival bid [redacted] £10 a share five minutes before the deadline. Hasbro came back with an £11 a share offer [redacted] Friday, which [redacted] topped by [redacted] on Monday night.

Mr Norman Walker, president of Hasbro International, [redacted] "Our offer [redacted] £11 per share [redacted] a very full one which we are [redacted] prepared [redacted] We are very pleased at the outcome for all shareholders and will of course realise a [redacted] gain on our own investment which we [redacted] in [redacted]." Hasbro bought its original stake [redacted] under £3 a share.

The [redacted] leaves the rights [redacted] Scrabble divided [redacted] and Hasbro, which [redacted] fierce rivals in [redacted] doll market. Hasbro, maker of Sindy, retains the rights to Scrabble in North [redacted], leaving [redacted] creator, Mattel, with the rest of the world.

[redacted] victory [redacted] particularly [redacted] for Robert Fleming, the merchant bank. It was appointed by [redacted] just six hours before [redacted] initial offer had to be launched and completed the task with [redacted] few minutes to spare.

Electron House doubles as semiconductors side grows

By Paul Taylor

Strong demand for electronic components, particularly semiconductors, together with significant productivity gains helped El[redacted] H[redacted], the [redacted] components distributor, report doubled profits [redacted] the year to May [redacted]

Pre-tax profits increased from £1.98m to £4.04m on sales [redacted] £104.8m, against £89m including £10.6m from discon-[redacted]. Continuing [redacted] growth of [redacted] per cent.

Earnings per share jumped [redacted] restated 4.34p to [redacted] an increased final divided of 2p is recommended making a total up from 2.6p to 3.2p.

The shares, which have risen from about 30p over the past two years, closed 2p higher yesterday at 159p.

The profits were struck after redundancy payments and property write-downs of £361,000. Excluding exceptional costs, pre-tax profits would have been £4.4m and earnings per share 10.6p.

[redacted] Robert Leigh, chairman, described the results as "most satisfactory". He [redacted] they reflected [redacted] continuing strength of the group's key markets combined with further productivity [redacted] generated internally [redacted] in operating [redacted] falling from 17.8 [redacted] cent [redacted] sales to 15.8 per cent.

Operating profits from continuing operations increased to [redacted] (£3.27m) [redacted] the group's strong [redacted] flow of [redacted] helped reduce net interest [redacted] £599,000 (£1.18m) and removed net debt.

Mr Leigh said that demand for electronic components, the group's core business [redacted] remained strong. The semiconductor market, which [redacted] for 60 per cent of group sales, [redacted] the main driving force.

[redacted] UK-based components business [redacted] profits from £2.04m [redacted] £3.09m on [redacted] £59m (£37.8m) while [redacted] operations in Australia [redacted] New [redacted] strong gains.

DIVIDENDS ANNOUNCED

		[redacted]	Date of [redacted]	Corres - ponding [redacted]	Total for [redacted]	Total last year
Electron House	fin	2	Oct 31	1.55	3.2	2.6
Jacques Vert	fin	[redacted]	Oct 7	2	4.5	[redacted]
Real Time §	fin	[redacted]	Oct 3	3	4	[redacted]
St Modwen	int	[redacted]	Sep [redacted]	0.3	-	1
Rexmore	fin	1.5	Oct [redacted]	1.05	[redacted]	1.75
Tams (John) §	fin	[redacted]	[redacted]	2.41	4.01	[redacted]
Triplex Lloyd	fin	4.5	Oct 3	4.5	7	7
Wood (John D) §	fin	1.25	[redacted] 8	nil	[redacted]	nil

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Graystone sales bring in £2.1m

Graystone, [redacted] engineering company originally Ptarmigan Holdings which returned [redacted] profits in 1993, has announced two [redacted] for [redacted] total [redacted] £2.1m [redacted] be used to cut debt.

It is selling Arnold Belford, supplier to the bakery industry, to the API Group for £1.68m. This represents [redacted] step towards [redacted] group's concentration in the engineering and distribution sectors.

Belford showed turnover of £2.9m and pre-tax profits [redacted] £300,000 in 1993.

Graystone is also disposing of its investment of 3m C and D redeemable ordinary shares in Blue Thane, for £450,000 cash.

EMH buys Normand for £11.75m

By Paul Taylor

European Motor Holdings, [redacted] fast growing motor retail and services group, is to acquire Normand [redacted] Group in a deal worth [redacted] which will double the size of the group.

The proposed acquisition, together with the repayment [redacted] mezzanine [redacted] will be funded through [redacted] placing and 2-for-5 open offer at 110p [redacted] share designed to raise about £16.5m. The shares closed 2p lower at 119p yesterday.

The deal is expected to be completed at the end of this month, in time for the new registrations bonanza in August. It will substantially [redacted] franchise base, particularly in London and [redacted] east England, and provide the group with its first Mercedes dealerships.

Normand, the subject of a £31m management buy-out in February 1990 from Allied-Lyons, operates 16 car [redacted] vehicle franchised outlets [redacted] 18 locations in the north west, [redacted] and south east England and London. The group made operating profits [redacted] £2.15m from [redacted] retail operations on sales of £11.3m in the year to February 28.

Mr Richard Palmer, EMH's chief executive, when reporting [redacted] 50 per cent increase in full-year profits [redacted] week, indicated that the group was about to announce an acquisition which would require a rights issue. Commenting on the deal yesterday he said it provided, "an excellent opportunity for the group to broaden its coverage in the motor industry both geographically and in terms of the range of manufactur-[redacted] represents."

Under the terms of the proposed deal the consideration will be satisfied by £10.6m in cash and the issue of 1.05m shares to certain vendors.

The placing and open offer of 15m shares will raise £15.5m net of expenses and has [redacted] underwritten by Charterhouse Bank with Charterhouse Tilney Securities as [redacted] to the issue.

● COMMENT

European Motor's management has a solid record [redacted] making earning-enhancing acquisitions [redacted] knocking them into shape. The Normand deal is unlikely to be an exception. The deal will propel European into the UK motor retail big league and is [redacted] good geographic and franchise fit. Meanwhile [redacted] operating margin last year was a modest 1.2 per cent providing plenty of scope for improvement. Following the acquisition European should report pre-tax profits of just more than £8m this year producing earnings of 11.7p. There is little downside risk in the shares and the open offer deserves support.

Triplex Lloyd holds dividend despite loss

By Paul Cheeseright, Midlands Correspondent

Triplex Lloyd, the Midlands engineering group supplying the power and automotive sectors, is maintaining its dividend in spite [illegible] a [illegible] pre-[illegible] loss of £2.92m.

The loss, foreshadowed in a trading statement [illegible] April, compared with a profit of £7.08m. [illegible] was struck [illegible] a [illegible] £7.6m of operating [illegible] exceptional [illegible] involved in disposing of [illegible] group's unprofitable building products division.

But even before exceptional items, [illegible] a decline in [illegible] operating profit on [illegible]tinuing activities from [illegible] to £7.1m, while [illegible] rose to [illegible] (£133.3m).

[illegible] from engineering, [illegible] been changes in [illegible] *management. It* [illegible] decline in the power [illegible] operating margins, [illegible] largely with [illegible] bedding down [illegible] new equipment [illegible] *quent* [illegible] *in starting* [illegible] on [illegible] orders. The [illegible] this will [illegible] the present half.

Colin Cooke: UK economy is at last providing some growth

[illegible] *by the end of the year,* the group order book stood at £53m, compared with £44.2m in March 1993. This foretaste of a return to what Mr Colin Cooke, *the chairman, called "healthy* profitability" led Triplex Lloyd to dip into reserves and hold the [illegible] dividend [illegible] 4.5p, maintaining [illegible] payments [illegible] *7p.*

"The UK [illegible] last providing [illegible] growth [illegible] the [illegible] of the [illegible] in Europe appears to be over. We remain confident [illegible] our capital investment programme will bring substantial benefit to shareholders," Mr [illegible] said.

[illegible]

The group has had [illegible] looking for silver linings in the financial [illegible]. The disposal [illegible] building products [illegible] haemorrhage and [illegible] the effect of lowering future [illegible] charges, which will do wonders for the earnings per share. The engineering division now looks uncomfortable in [illegible] group and [illegible] not receiving the high levels [illegible] the [illegible] and automotive sides, from which will [illegible]. By in [illegible] second half there should [illegible] uninterrupted flow, leading to [illegible] pre-tax profits [illegible] about £6m [illegible] produ*cing earnings per share of over* [illegible]. The shares, pushed down and [illegible] aside last April [illegible] a lower level than last year's rights, [illegible] yesterday [illegible] *138p,* [illegible] *on a prospective* multiple of [illegible] Until promise turns [illegible] profit, that looks about right.

Little Chef moves into Spain on £3m venture

By Caroline Southey

Forte, the hotels and restaurants group, yesterday announced a £1.5m investment to put Little Chef roadside restaurants, the first of which opened yesterday, and Forte Travelodges on the Spanish map.

The investment has been matched by Repsol, Spain's largest and partly privatised energy and chemicals group, in a joint venture worth £3m.

The first Little Chef, built at a cost of £488,000 midway between Madrid and Seville, is on a long-haul route which carries French traffic bound *for south-west Spain, the* Algarve and north Africa.

Forte said the opening of the Little Chef was "in line with Forte's strategy to *expand the brand in Europe"* and would lead to a "widespread network at Repsol service station sites along Spain's main highways". *Potentially there was scope* for 50 sites, the company said.

Forte plans to open a second Little Chef later this year on *the Madrid to Barcelona* highway, about 12km from Zaragoza. A Travelodge is due to be opened on the same site early next year. A third site *has also been earmarked for* development.

Forte said the Little Chef menu had been adapted to cater for local palates, *retaining only 60 per cent of* the original UK offerings. The Spanish menu includes more fish dishes, gazpacho and churros (a crispy doughnut).

Little Chef restaurants have been opened in Dublin and Cork. In the UK Forte operates 350 roadside restaurants, attracting 40m people a year.

Repsol, which controls [illegible] per [illegible] of [illegible] Spanish [illegible] market, has been gearing up for greater competition following its partial privatisation. Last year the government reduced its share in the company from 54 per cent to 41 per cent and is expected to cut it further to 20 per cent later this year.

Future may be resolved after banks consider restructuring plan

United Breweries decision soon

By William Lewis

The future of United Breweries, the financially troubled USM-quoted company controlled by Indian businessman Mr Vijay Mallya, [illegible] be [illegible] next [illegible].

Four banks, with a combined [illegible] of about £9m, have been considering their [illegible] a restructuring plan. It involves them writing [illegible] approximately [illegible] debt and converting further debt to "some sort" of [illegible] stock, [illegible] company advisers.

However, Mr Michael Potts of Allied Irish Bank, UB's main lender, [illegible] yesterday that the company [illegible] being [illegible] submit further proposals – for the third time – so *a decision could be made next* [illegible].

"We are still to make up our minds," [illegible] Mr Potts, who added that "We are fairly confi[illegible] presented with fresh proposals that they will look at," he said.

The company's other banks are the Yorkshire Bank, National Home Loans and Adam & Co., a subsidiary of Royal Bank of [illegible].

Negotiations followed a £7.2m write-down in the value of UB's [illegible] public houses in April, which led to it breaching banking covenants.

Just [illegible] months earlier, Mr Mallya's Indian-based UB *Group had bought 15 per cent* of the [illegible] then called Wiltshire Brewery. UB Group, which has management control but still has only a 15 per cent *stake in the company, changed* its name from Wiltshire Brewery to United [illegible]. It still plans [illegible] use UB [illegible] expand [illegible] UK brewing interests.

According to [illegible] of his advisers, *Mr Mallya, who is* chairman of UB, is negotiating [illegible] the [illegible] "the banks must be willing to accept some [illegible] pain. Mallya is not frightened to walk away".

Such [illegible] outcome would deprive UB [illegible] the "interim financial [illegible] UB Group [illegible] recently been providing.

"The banks are unlikely to pull the plug, but there is a risk that one of them will fall out of bed the wrong way one morning and say 'sod it, I've had enough'," said Mr Christopher Stainforth, head of corporate finance at Guinness Mahon, who is advising UB.

UB *stresses that the compa*ny's future could be bright if restructuring plans succeed. Up to three acquisitions are planned, funded by a rights issue, all to be implemented by a new deputy executive chairman working alongside Mr O'Neil Nalavadi, UB's chief executive.

Advisers [illegible] that the [illegible]tive [illegible] experienced hand, currently director of a major drinks company". The [illegible] have been told who he [illegible] but he will not be named publicly [illegible] *the negotiations suc*ceed.

The plans are believed to include taking full [illegible] UBSN, the drinks distribution *company jointly* [illegible] Shepherd Neame, the Kent brewer. UBSN distributes Kingfisher, the [illegible] widely sold in curry houses in the UK.

UB's turnover for [illegible] year [illegible] November 30 1993 leapt 68 [illegible] cent [illegible] £4.14m, [illegible] operating profits [illegible] exceptional items improved [illegible].

[illegible] left with an increased pre-tax [illegible] £8.57m after [illegible] £7.2m pub write-down, compared with [illegible] the [illegible] before.

Davis agrees terms for Lakeland Pennine

Davis Service Group, [illegible] business [illegible] formerly [illegible] Godfrey Davis, yesterday announced that [illegible] had reached agreement on [illegible] *of* [illegible] *recommended* [illegible] for [illegible] acquisition [illegible] Group.

The offers, which value Lakeland's [illegible] capital [illegible] *£7.25m,* [illegible] other things on acceptances being [illegible] by not [illegible] than 90 [illegible] of [illegible] Lakeland [illegible].

[illegible] *of* [illegible] for [illegible] Lakeland ordinary and 100p cash *for* each preference share. There is a loan note alternative.

Irrevocable commitments to accept have been given by the *directors of* Lakeland and other shareholders totalling 112,679 ordinary and 62,613 preference shares, amounting to 71.6 per cent and 48.3 per *cent of the shares* in issue.

Lakeland offers textile rental and laundry services. In the year to March 31 1994 pre-tax profits were £342,000 on turn*over of £16.6m. Net assets* at the end of the period £5.1m.

All-round increase lifts Jacques Vert to £2.1m

On turnover up [illegible] per cent from £39.3m to £45.1m, pre-tax profits [illegible] Jacques Vert, [illegible] fashionwear group, doubled [illegible] for the 53 weeks ended April 30. This compared with £1.03m last time.

Earnings per [illegible] expanded from 8.8p to 13.45p [illegible] the dividend [illegible] up 50 per cent to 4.5p (3p) with a final payment of [illegible].

Mr Alan Green, chairman, [illegible] that [illegible] activity in [illegible] areas of the [illegible] continued to [illegible] with retail activities "particularly pleasing". [illegible] that directors planned to extend the group's *national* [illegible] concessioned units.

Operating profits from continuing activities [illegible] from £1.7m [illegible] and were achieved [illegible] incurred in the [illegible] of two new brands, Mr Green [illegible].

The level [illegible] net bank borrowings [illegible] to [illegible] reduced [illegible] £3.1m [illegible] £2.02m, resulting in gearing of 24.2 per cent (37 per cent).

John Tams declines to £1.45m

John Tams Group, the USM-quoted china and [illegible]enware manufacturer, *reported lower pre-tax profits* [illegible] £1.45m for the year [illegible] March 31, against £1.71m, on turnover up 12 per cent from £22.9m to £25.7m.

The company blamed pressure on margins at Duchess and an operating loss at Royal Grafton. Changes to the design of the Grafton range are being made as well as to its coffee mugs in an effort to regain market share.

The pre-tax figure was helped by lower interest [illegible] £213,000 (£359,000). Gearing over the year rose from [illegible] to [illegible] per cent.

Earnings per share were 3.89p [illegible] and a maintained proposed final [illegible] of [illegible] makes 4.01p [illegible] the year.

Rexmore shares rise as recovery continues

By Reg Vaughan

Rexmore, [illegible] contract *furnishings* [illegible] share price jump [illegible] to 88p [illegible]terday [illegible] continuation of [illegible] strong recovery shown halfway [illegible] reflected at [illegible] full [illegible] stage.

And Mr Michael Rosenblatt, chairman, said he [illegible] looking [illegible] further [illegible] in [illegible].

Group pre-tax profit for the [illegible] ended April [illegible] came [illegible] £1.5m, compared with a loss [illegible] £1.4m. This [illegible] first annual profit since [illegible] when the group [illegible] £1m and follows a first half profit of £888,000 [illegible].

Group [illegible] continuing operations [illegible] virtually [illegible] at £32m (£31.1m). [illegible] operations pro[illegible] of [illegible] and operating [illegible] of £70,000 (£659,[illegible]).

In the group's main business – *the supply of upholstery fab*[illegible] products – turnover rose from [illegible] £29.6m, producing operating profits up from £1.8m [illegible].

The pre-tax figure was struck after [illegible] charges of £247,000 [illegible] with gearing coming down from 13.9 per cent to 7 per cent. [illegible] charged [illegible] discontinued operations and [illegible] disposals [illegible] £313,000.

Mr [illegible] little improvement in [illegible] group's [illegible], but profit [illegible] the first quarter [illegible] the current year was ahead of that in the comparable period last time.

The annual dividend is lifted from 1.75p to 2.5p with a final of 1.5p. Earnings per share were *9p (7.7p* [illegible]

NEWS DIGEST

Real Time Control well ahead

Real Time Control, [illegible] software and supplies and [illegible] epos applications, [illegible] a jump in pre-tax profits from £492,000 to £1.39m in the [illegible] March [illegible].

The result was achieved on [illegible] up [illegible] at £8.53m (£6.11m) and included [illegible] £240,000 (£309,000).

Earnings per share advanced from 4.9p to 13.3p and the proposed *final dividend is lifted to* 4p (3p).

The company's shares trade on the USM.

Tamaris improves further [illegible] £8,000

Tamaris, the nursing [illegible] operator, [illegible] recovery with *pre-tax profits of* £8,000 for the year to March 31, against losses of £50,000. It reported a profit of £2,000 at the interim stage.

Mr William Fitch, chairman, said that the reputation of the company's homes had been enhanced leading to increased occupancy levels and improved operating profits.

During the year the company raised £1.2m in a placing and open offer and a capital reconstruction which resulted in the company moving from a negative to a net worth.

Turnover rose from £3.38m to £3.47m. Earnings per share were 0.03p, against losses of 1.45p.

Dwyer makes £4.8m property sale

Dwyer Estates, the Irish property investment and trading group, has sold Porterbrook House in Sheffield to [illegible] Portland [illegible] £4.8m.

[illegible] *41,000 sq* [illegible] building, *which is let to the Depart*ment of the Environment for 25 years from 1989, has a rental income of £430,000 a year for an initial yield of about 8.7 per cent.

The sale by Dwyer, which returned to the black in the six months to March 31 with a pre-tax profit of [illegible] two recent property acquisitions.

It is continuing to seek further acquisitions.

Emerald Energy £25,765 in profit

Emerald Energy, the Isle of [illegible] energy producer which obtained a USM quote [illegible] *November, reported a pre*-[illegible] profit [illegible] £25,765 for [illegible] six months [illegible] end-March, [illegible] a loss [illegible].

[illegible] was struck [illegible] exceptional [illegible] of £61,196 [illegible] disposal [illegible] subsidiary and [illegible] from turnover up from £23,600 to £122,200.

Earnings per share came to 0.01p, against [illegible] 0.15p.

In April [illegible] year, Emerald raised £880,000 through a placing [illegible] 25m [illegible] to provide funds [illegible] acquisitions and [illegible]ment programme.

It [illegible] acquired three gas fields in the Appalachian Basin for [illegible].

John [illegible] Wood near [illegible] in the black

The turnround seen [illegible] the half year [illegible] John [illegible] Wood, USM-quoted [illegible] the [illegible] half [illegible] the year [illegible] end-April [illegible] pre-tax profits of £681,000 compared with losses of £291,900.

Turnover advanced to £6.72m [illegible] with all areas of the [illegible] showing improvement. The directors said the current year had started well with the increased activity continuing.

A proposed final dividend of 1.25p makes a 2p total, payable from earnings per share of 5p (2.8p losses).

TENDER NOTICE

UK GOVERNMENT ECU TREASURY NOTES

For tender on 19 July 1994

1. The Bank of England announces the sale by tender on behalf of Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes. These Notes will add to the ECU 1,000 million nominal of the same security sold by the tender on 18 January 1994 and the ECU 500 million nominal sold by tender on 19 April 1994. The tender will be held on a bid-yield basis on Tuesday, 19 July 1994.

2. The ECU 500 million of Notes to be sold by tender will be dated as of 21 January 1994 and will mature on 21 January 1997.

3. Notes will bear an annual coupon of 5.25% payable on 21 January, starting on 21 January 1995. Payment for Notes allotted in the tender will be due on 26 July 1994; the amount payable will include 186 days accrued interest.

4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, [illegible] July 1994.

[illegible] tender [illegible] yield for each maturity must be made [illegible] a separate application form for a minimum of ECU [illegible] nominal. Tenders [illegible] minimum must be in multiples of ECU 100,000 nominal.

6. Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.

7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with ESO, Euroclear or CEDEL, Notes will be credited in the relevant systems against payment. For applicants who have requested definitive Notes, Notes will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on 26 July 1994 provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000, and ECU 1,000,000 nominal.

[illegible] Her Majesty's Treasury reserve the right to [illegible] any or part of any tender.

9. The arrangements for the tender [illegible] set out in more detail in the Information Memorandum on [illegible] UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1992. All tenders will be subject to the provisions of the Information Memorandum and to the provisions of this notice.

10. In addition to the ECU 500 million nominal of Notes being offered for sale by tender, a further ECU 50 million nominal of Notes will be issued and retained by the Bank of England for the account of the Exchange Equalisation Account. These additional Notes will be added to the Bank's holdings of Notes which may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum.

11. Copies [illegible] the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England
12 July 1994

Go-ahead likely for Canadian diamond mine

By Bernard Simon in Toronto

BHP Minerals and its Canadian partner [illegible] given the clearest indications yet [illegible] they are set to [illegible] ahead with construction [illegible] North America's first diamond mine in the Lac de Gras area [illegible] the Northwest Territories.

Announcing another round of encouraging drilling results, BHP and Dia-Met Minerals said *that they planned* [illegible] expand the airstrip [illegible] the remote site 300km north-east of Yellowknife. About 170 people [illegible] already working [illegible] the site.

BHP [illegible] assembling [illegible] for environmental impact studies, and holding [illegible] with local communities [illegible] their [illegible] about mining development.

[illegible] *partners* [illegible] *scheduled* to [illegible] a final [illegible] on a mine until the end of this year. But [illegible] John Hainey, analyst [illegible] Canaccord Capital in Toronto, predicted that, [illegible] on [illegible] results, BHP [illegible] *Dia-Met* will initially develop two high-grade kimberlite pipes, known as [illegible] and Panda.

The *latest sample from* Koala, weighing 1,193 tonnes, yielded [illegible] diamonds with [illegible] weight of 893 [illegible]. The [illegible] grade was 0.75 [illegible] a [illegible]. The Panda pipe, which is almost adjacent [illegible] Koala, yielded [illegible] total [illegible] 270 [illegible] from 230 tonnes [illegible], giving an [illegible] grade [illegible] *1.18* [illegible] tonne.

BHP and Dia-Met also announced the [illegible] from [illegible] other pipes, Misery and Falcon. The Misery deposit, which is 44km from Koala, produced [illegible] grade of [illegible] tonne from a sample of *132 tonnes. These results* included one 4.2 [illegible] stone "of *very significant* value".

The partners [illegible] expected to disclose further details of their plans [illegible] annual meeting yesterday [illegible] office in Kelowna, British Columbia.

BHP's Chilean copper mine set to become world's biggest

By Kenneth Gooding, Mining Correspondent

Another expansion of the Escondida copper mine in Chile is almost certain to [illegible] ahead [illegible] boost [illegible] annual output [illegible] 800,000 tonnes [illegible] the metal a year.

This would put it ahead of *Chuquicamata, also in Chile,* [illegible] the [illegible] biggest [illegible] *mine and* [illegible] Broken Hill Proprietary, Australia's [illegible], which *entered* [illegible] copper business only five years [illegible] the world's major producer of traded [illegible].

Mr John Prescott, chairman of BHP, [illegible] he has "a high degree of confidence" that the Escondida partners will give the go-ahead for the expansion *within the next few weeks.*

The mine, jointly owned by BHP (57.5 per cent), the RTZ Corporation of the UK [illegible] per cent), JECO, [illegible] consortium [illegible] Japanese smelters (10 per cent) and the International Finance Corporation (2.5 per cent), is still in the throes of a second-[illegible] expansion, from 320,000 [illegible] 480,000 tonnes, scheduled [illegible] be completed by September.

The third-stage expansion *would be completed in* [illegible] and analysts suggest the *capital investment required* would [illegible] minimal compared with the profits generated.

Mr [illegible] brushes [illegible] suggestions [illegible] Escondida will [illegible] contributing to a glut of copper [illegible] (an inter-[illegible] material) that will depress [illegible] metal's price at the *end of the* [illegible]. *He* [illegible] Escondida talked [illegible] all its customers before considering the next expansion phase and "we seem to be getting a commitment [from them to take] the tonnage we intend to produce".

In view of this commitment by customers, BHP [illegible] under no pressure to build [illegible] copper [illegible] in Chile.

BHP's small Island copper mine [illegible] Vancouver, Canada, *will run out* [illegible] *ore in* [illegible] the company has no *expansion plans for Ok Tedi,* the [illegible] in Papua New Guinea, in which [illegible] had boosted its shareholding recently [illegible] controlling interest. However, it bid unsuccessfully [illegible] the El Abra [illegible] deposit in Chile and, according to [illegible] Prescott, "we are looking [illegible] *every opportunity* [in [illegible] per] that comes up".

Mr Prescott, in London [illegible] talk [illegible] customers and investors, [illegible] BHP's move to spread its operations into high-value minerals such as platinum and diamonds is going smoothly. He expects the Zim-[illegible] government to give final approval [illegible] for the Hartley platinum project, which has [illegible] initial planned production [illegible] 150,000 ounces [illegible] platinum and 110,000 ounces [illegible] palladium from mid-1996. BHP's partner [illegible] Delta [illegible], another Australian company.

[illegible] proposal [illegible] link all the platinum operations on [illegible] Great Dyke in Zimbabwe – where RTZ and the Anglo American Corporation of [illegible] have projects – [illegible] shelved, however. "Our mine will be developed," [illegible] Prescott insists. "It makes [illegible] on its [illegible]. It might make more sense if [illegible] was all put together as a joint venture. But it was an idea that did not [illegible] mutual support."

Although it [illegible] looks increasingly *likely* that BHP may [illegible] mining diamonds in *Canada's* [illegible] *West Territories,* BHP [illegible] still [illegible] decide how [illegible] rough (uncut) diamonds will be marketed. About 80 per [illegible] of world [illegible] in such diamonds is controlled by De [illegible] Central Selling Organisation [illegible] Canadian companies are forbidden [illegible] join cartels. [illegible] Prescott [illegible] "We won't be going into the [illegible] business [illegible] understanding [illegible] will market them. We have to recognise the [unfavourable] attitude to the CSO in various parts of the world if [illegible] deal with them or they want [illegible] deal with us. That [illegible] something we will have to address."

Mr Prescott *admits that* [illegible] in contract prices for iron ore, *manganese and coal recently* agreed with Japanese customers will have a substantial impact [illegible] profit BHP's but it [illegible] working [illegible] this.

He says: "We are a low-cost producer, especially of coal and manganese, and we can only maintain that position if we continue to invest. I am [illegible]tainly concerned about recent [illegible] in long-term prices. But the Japanese are [illegible] important [illegible] and they must be treated [illegible] our [illegible] important customers."

Looking for common ground on EU farm policy

Deborah Hargreaves finds a wide divergence of opinion among growers in different member countries

There [illegible] common ground [illegible] British [illegible] wants to see an end to most agricultural [illegible] and [illegible] French producer whose [illegible] profits last year [illegible] wholly [illegible] from European Union coffers.

The spread of opinion among *EU* [illegible] *was highlighted* at a recent open day organised by [illegible] Agriculture, [illegible] to [illegible] Common Agricultural Policy reforms.

Last [illegible] up [illegible] producers [illegible] EU [illegible] to meet annually for [illegible] next [illegible] approaches to CAP reform. Already [illegible] is becoming [illegible] that the *farmers are* altering the way they plan [illegible] business [illegible] in with [illegible] new regime and the coming General Agreement on [illegible] and [illegible] deal. Uppermost [illegible] their minds is the need to cut costs and diversify [illegible] well [illegible] manage their [illegible] land.

Mr [illegible] Beldam, the British member [illegible] group, [illegible] only farmer [illegible] come [illegible] wholeheartedly in favour [illegible] *abandonning* [illegible] that [illegible] because he runs [illegible] profitable [illegible] lowest cost [illegible] margin [illegible] in Gloucestershire [illegible] projected [illegible] £491 [illegible] hectare. This [illegible] with [illegible] Jim McCarthy, a producer on 405 *hectares in Ireland,* [illegible] poor weather conditions and high [illegible] *keeping his* [illegible] margin at £150 [illegible].

[illegible] McCarthy, from County Kildare, has [illegible] immediately affected by changes [illegible] CAP. The owner [illegible] farm he managed [illegible] from farming by taking up [illegible] offer [illegible] *Irish government* [illegible] a pension [illegible] former producers and Mr *McCarthy has now set himself* up [illegible] a self-employed farmer leasing [illegible] hectares [illegible] previous employer and [illegible] from nine [illegible] landowners.

By renting more land, he has expanded the [illegible] his farm [illegible] 294 hectares; but [illegible] had [illegible] to do so. [illegible] to continue subsidies, particularly for smaller producers. "We've got [illegible] lot of small farmers," he points out, [illegible] if you stopped [illegible] there [illegible] lot of hurt and [illegible] countryside would [illegible] derelict".

[illegible] reduction in [illegible] ments [illegible] some [illegible] farmers [illegible] up ancillary businesses on their land [illegible] way [illegible] *increasing profits. Mr* McCarthy [illegible] stepping up [illegible] *straw, which* [illegible] traditionally supplied [illegible] nearby racing [illegible] – he [illegible] delivering [illegible] local [illegible] growers.

Mr Beldam [illegible] plans [illegible] make [illegible] his [illegible]. He has joined a group of producers [illegible] Southern Electric, the local power utility, in a project [illegible] build [illegible] 20MW straw-burning *power plant near his farm.*

[illegible] has also increased the capacity [illegible] grain-driers so that [illegible] dry [illegible] under [illegible] to other producers. [illegible] Cargill, the agribusiness company, in the hope of growing oilseed rape on his land for the company's planned [illegible] production plant.

Mr Francis Ringo with [illegible] 150-hectare farm 100km from Calais in northern France, already [illegible] for biofuels on [illegible] entire portion of set-aside land. He plants [illegible] for di-ester (a petrol additive) and wheat and sugar beet for ethanol. [illegible] market for biofuels has become *well established* in France on the back of government subsidies.

Mr Ringo has tried this year *to reduce* his [illegible] by reining in [illegible] agro-chemicals [illegible] fertilisers. This cutback [illegible] enabled him [illegible] trim his input costs from the equivalent of [illegible] a [illegible] to £187 this year.

"In [illegible] past, we [illegible] influenced by [illegible] drive for intensive cultivation, [illegible] were using [illegible] many inputs – [illegible] *we cut them our yields* have [illegible] changed," said Mr Ringo.

[illegible] all [illegible] in [illegible] group [illegible] looking [illegible] down on [illegible] chemicals and fertilisers. Mr Reinhard Funk, a producer on [illegible] in Germany [illegible] Stuttgart and [illegible] Konstanz, can claim an additional DM200 [illegible] hectare payment from the Baden Württemburg [illegible] government if [illegible] his [illegible] with a regulator to restrict growth [illegible] stop it being knocked [illegible] by rain.

[illegible] Funk is [illegible] dilemma [illegible] to many of Germany's producers [illegible] he believes [illegible] farm will not afford him [illegible] full-time living over the long *term.* [illegible] *planning* [illegible] himself up as an agricultural [illegible] providing services for [illegible] neighbours [illegible] of supplementing his income.

Almost half [illegible] Germany's 650,000 producers [illegible] part-time [illegible] with average holdings [illegible] 20 hectares. But in the former [illegible] Germany, [illegible] are huge and producers' [illegible] diverge *widely* [illegible] their western German counterparts.

Mr [illegible] manages [illegible] 5,300-hectare holding [illegible] Leipzig. He has 150 workers [illegible] farm and spends DM2m a [illegible] on machinery. As well as wheat, barley, rye and maize, [illegible] has 2,500 dairy cattle, and 5,000 pigs.

Even [illegible] a holding [illegible] Mr Böhme [illegible] been cutting [illegible] and increasing his farmed [illegible]. [illegible] reduced the number of workers from 230 in [illegible] and [illegible] another [illegible] – [illegible] from 400 separate landowners.

Mr Ted Kallehave [illegible] farms near Copenhagen in Denmark, has added [illegible] hectares [illegible] *existing 500 hectares. He has* [illegible] tried to grow as wide a *spread* [illegible] *crops* [illegible] possible so as to reduce the farm's dependence on any single crop. In addition, he has [illegible] some [illegible] his land out for hunting [illegible] grows Christmas [illegible] on [illegible] hectares.

A common theme among the farmers [illegible] the [illegible] to diversify and get bigger. Mr [illegible] who farms most of his land [illegible] a *profit-sharing basis with* landowners, hopes [illegible] expand his business [illegible] 3,000 hectares in the next two years and eventually [illegible] like to [illegible] 10,000 hectares.

Mr Beldam favours a rapid cut-off in agricultural aid [illegible] bined with some social support [illegible] eliminate the worst problems. "I think [illegible] of us would survive in Europe – [illegible] free market would [illegible] us what [illegible] grow," he said.

MARKET REPORT

Chinese sales hit copper

Persistent Chinese selling of **COPPER** gradually undermined market sentiment [illegible] London Metal Exchange and [illegible] prices [illegible] late yesterday. The three months delivery price, which had earlier reached [illegible] tonne, [illegible] $2,449.50, up [illegible] on balance.

"This [illegible] poor close, although the [illegible] *looking to buy just under the* market," one trader [illegible]mented.

Three months ALUMINIUM came under liquidation pressure when it became apparent [illegible] was not going to hold above $1,550 [illegible] level [illegible] was briefly breached in the [illegible]ing.

At [illegible] London Commodity Exchange robusta COFFEE [illegible] early [illegible] see-sawing wildly [illegible] thin volume [illegible] the [illegible] awaited fresh news [illegible] Brazilian [illegible] damage. The September position closed [illegible] $3,898 [illegible] tonne, [illegible].

"Trade [illegible] fund buying this afternoon on thin volume caught [illegible] by surprise and the sellers backed off," one *trader explained.*

Compiled from Reuter

LME WAREHOUSE STOCKS (As at Monday's [illegible]) tonnes

Aluminium	[illegible]	to 2,582,750
Aluminium alloy	[illegible]	to 28,500
Copper	[illegible]	to 345,550
Lead	-560	[illegible]
Nickel	+240	[illegible]
[illegible]	[illegible]	to 1,197,825
Tin	-60	to 30,570

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1520.5-1.5	1536-7
Previous	1523-4	1540-1
High/low		1554/1532
AM Official	1522-3	1540-1
[illegible]		1531-2
Open int.	293,677	
Total daily turnover	77,939	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1510-5	1525-30
Previous	1512-7	1529-30
High/low		
AM Official	1515-6	1530-5
Kerb close		1525-35
Open int.	2,924	
Total daily turnover	619	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	581.5-2.5	596-7
Previous	584.5-5.5	600-1
High/low	584	599/594
AM Official	583-4	598.5-9
Kerb close		596-7
Open int.	40,505	
Total daily turnover	[illegible]	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6275-85	6365-70
Previous	6255-65	6350-5
High/low	6266/6266	[illegible]/6336
AM Official	[illegible]	6365-70
Kerb close		6370-5
Open int.	57,996	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5345-55	5415-25
Previous	5316-25	5390-400
High/low		5435/5410
AM Official	5365-70	5430-5
Kerb close		5400-10
Open int.	19,036	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	963.5-4.5	988-9
Previous	961.5-2.5	985-6
High/low		990/988
AM Official	[illegible]	[illegible]
Kerb close		989-90
Open int.	[illegible]	
Total daily turnover	29,728	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2431-2	2449-50
Previous	2426.5-8.5	2444-5
High/low	2434/2432	2455/2431
[illegible]	2432-3	2451-1.5
Kerb close		2444-5
Open int.	228,110	
Total daily turnover	39,524	

■ LME AM Official £/$ rate: 1.5700
LME Closing £/$ rate: 1.5735

[illegible] 3 [illegible] 6 mths:1.5711 9 mths:1.5698

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jul	110.00	+0.50	[illegible]	[illegible]	[illegible]	[illegible]
Aug	110.20	+0.35	-	-	694	[illegible]
Sep	[illegible]	[illegible]	111.40	[illegible]	31,416	[illegible]
Oct	[illegible]	+0.40	-	-	324	2
Nov	[illegible]	[illegible]	-	-	245	-
Dec	[illegible]	+0.35	110.00	108.90	[illegible]	[illegible]
Total					50,730	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by [illegible] M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.00-386.40	
Opening	385.60-386.00	
Morning fix	385.75	245.497
Afternoon fix	386.30	245.560
Day's High	386.70-387.10	
Day's Low	384.60-385.00	
Previous close	385.80-386.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.11	6 months	4.64
2 months	4.22	12 months	5.06
3 months	4.32		

Silver Fix	p/troy oz.	US cts equiv.
Spot	338.25	531.50
3 months	342.45	537.80
6 months	347.05	544.90
1 year	357.65	560.60

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	248-251
Maple Leaf	397.20-399.70	-
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1425	-	-	-	[illegible]	-
Total					2,271	123

	[illegible]	Prev
BFI	1398	1389

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.6%, $ per tonne, 4,400-4,700 (4,100-4,200). **Bismuth:** min. 99.99%, tonne lots 2.65-2.95 (2.30-2.50). **Cadmium:** min. 99.5%, 67-77 cents a pound. **Cobalt:** MB free market, 99.8%, 23.00-23.80 (23.20-24.00); 99.3%, 19.10-19.80. **Mercury:** min. 99.99%, $ per 76 lb flask, 105-125. **Molybdenum:** drummed molybdic oxide, 3.45-3.55 (3.40-3.50). **Selenium:** min 99.5%, 3.50-4.45. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 37-47. **Vanadium:** min. 98%, cif, 1.40-1.50. **Uranium:** Nuexco exchange value, 7.10.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	71.75	-1.00	72.95	[illegible]	2,040	[illegible]
Total					52,781	6,241

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	[illegible]	[illegible]	86.75	86.00	162	163
Sep	90.30	-	[illegible]	[illegible]	[illegible]	1,704
Nov	[illegible]	+0.40	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	+0.40	[illegible]	[illegible]	[illegible]	[illegible]
Mar	99.25	+0.75	99.50	98.00	2,388	[illegible]
May	102.25	+1.00	-	-	434	[illegible]
Total					[illegible]	3,403

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 12	Jul 11	month ago	year ago
2119.7	2072.5	2030.4	1896.3

■ CRB Futures (Base: 4/9/56=100)

Jul 11	[illegible]	month ago	year ago
230.94	228.51	235.50	215.18

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

[illegible]

■ COCOA LCE

[illegible]

■ BRENT CRUDE IPE

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

[illegible]

■ OTHER

[illegible]

CROSSWORD

No.8,504 Set by FETTLER

ACROSS

1 [illegible] relating to mum (8)
5 A woman in North America, as far as we are concerned (6)
10 Undergraduates end in the final? The lowest degree (5)
11 Run that is more than worth running (9)
12 Tailor's not in better form (9)
13 Anything happening just before time (5)
14 [illegible] running can [illegible] deadly (6)
15 English cleric shows muscle (7)
18 Go in to wash finally but back here naturally (7)
20 Patent leathered clog (6)
22 Groan [illegible] order (5)
24 Sheer hose Della ren[illegible] term (9)
25 To revise play, run a matinee (9)
26 Out of tune lute that is non-U? To the contrary! (5)
27 Second childhood can be [illegible]netic - do get one (6)
28 [illegible] needing sure spur when jumping (8)

DOWN

1 [illegible] lip? [illegible] that lovers indulge in (6)
2 What's cooked? A recipe [illegible] eat! [illegible]
3 In spite of not opposing (15)
4 A marginal note – 1 after 49 (7)
6 Still [illegible] name [illegible] tub, oddly enough (3,12)
7 What is belonging to us that is shabby up north (5)
8 Decline and blight round town – nothing less (8)
9 Rank bad greed, the beginning of envy (6)
16 Amphibole relating [illegible] that's metamorphosed (9)
17 Rejected sailor, said to have [illegible] with [illegible] (8)
19 Dance [illegible] contemporary [illegible]
20 A [illegible] dish, gold, for [illegible] ornamental tray (7)
21 [illegible] accepting universal [illegible]vells (5)
23 Hard work for fliers [illegible] a fast car (5)

Solution [illegible]

NILDESPERANDUM / HOILER FINALEXIT / KNEECAP INGRESS / HIPPO DEBATABLE / PORTFOLIO RULER / CHASEUP YIELDED / DEPOSITOR RAZOR / RACINGTIPSTERS

LONDON STOCK EXCHANGE

MARKET REPORT

Index futures selling reverses early advance

By Terry Byland, UK Stock Market Editor

The uncertainty caused by persistent weakness in the US dollar, emphasised following the announcement of unchanged [illegible] producer price statistics for June [illegible] up with London share prices yesterday. An early run towards the FT-SE [illegible] mark was abruptly reversed by heavy selling of [illegible] index futures and the [illegible] market fell away, unable [illegible] follow the strong lead from British government bonds.

The second half of the [illegible] was somewhat erratic, with [illegible] London market suffering [illegible] of [illegible] fall before Wall Street came in with a loss of 20 Dow points in UK hours. The final reading showed the FT-SE Index at 2,963.9, for a net loss on the day of 19.9.

Analysts [illegible] at a loss [illegible] explain why UK equities should have reversed the gains achieved on Monday when the dollar was also weak. But equities [illegible] across Europe yesterday, in contrast with bond markets which remained firm – with UK gilts particularly well supported. [illegible] strategists [illegible] this as an indication of significant switching by international [illegible] towards European bonds.

Shares started the day in [illegible] form and the Footsie gained [illegible] to reach [illegible] before activating the sellers in the futures market. The abruptness of the turnround, which took the Footsie down to 2,957.4 at the day's low, suggested technical selling from investors unwilling to trust the [illegible] Footsie [illegible] just yet.

Account Dealing Dates		
*First Dealings:		
Jul 4	Jul 18**	n/a
Option Declarations:		
Jul 14	Jul 28	n/a
Last Dealings:		
Jul 15	n/a	n/a
Account Day:		
Jul 25	n/a	n/a

*New time dealings may take place from two days earlier. **New 10-day settlement system starts

[illegible] FT-SE Mid 250 Index fell only 8 points to 3,465.9, reflecting the closer focus on the futures-related [illegible] which make up [illegible] the Footsie 100 Index. Trading volume increased to 594.6m from 542.5m in the previous session; on Monday, retail or customer business in equities returned worth of £1.17bn, still an improvement on last week's [illegible] daily figure. Non-Footsie share trading made up around [illegible] per cent of total business yesterday.

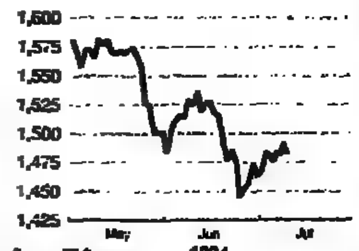
The US producer prices were considerably better than the markets had expected and indicated slack inflationary pressure and, therefore, reduced pressure on the Federal [illegible] to raise interest rates. An improvement in US bonds was not fully held, however, and the dollar [illegible] to soften, reinforcing worries over the implications for the profits of dollar-earning UK companies. Weakness in sterling also began to upset equity market strategists.

Among the currency-related stocks, most of the dollar stocks were easier as the implications for profit repatriation of the slide in the US currency took hold. Pharmaceuticals gave ground although without suffering heavy selling pressure. The exception to the trend among blue chip multinationals [illegible] the [illegible] strengthened behind a strong crude price. However, the firmness in the German mark continued to help some building and construction [illegible].

There were signs of profit-taking elsewhere, with many stocks falling away [illegible] little [illegible] than that they had performed well over the past week.

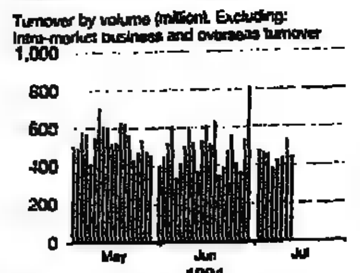
[illegible] while awaiting publication of the June Retail price index soon after the stock market opens for business this morning; analysts expect [illegible] change in the year-on-year rate of 2.6 per cent. However, today also brings [illegible] ings in the UK which will be scanned carefully for any signs that wage pressure is building up.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key indicators

Indices and ratios

FT-SE [illegible]	2963.9	-19.9	FT Ordinary Index	[illegible]	-21.0
FT-SE [illegible] 250	3465.9	-8.0	FT-SE-A Non Fins p/e	18.77	[illegible]
FT-SE-A 350	1494.3	-8.5	FT-SE 100 Fut Sep	2970.0	-27.0
FT-SE-A All-Share	1483.88	-7.90	10 yr Gilt yield	8.41	(8.51)
FT-SE-A All-Share yield	[illegible]	(3.95)	Long gilt/equity yld ratio:	2.13	(2.17)

[illegible] performing sectors

1. [illegible]es & Apparel ... +1.2
2. Engineering, Vehicles ... +0.7
3. Oil Exploration & Prod ... +0.7
4. Distributors ... +0.5
5. Engineering ... +0.4

Worst performing sectors

1. Pharmaceuticals ... -2.0
2. Insurance ... -1.7
3. Telecommunications ... -1.7
4. Consumer Goods ... -1.0
5. Transport ... -1.0

Insurance brokers suffer

The insurance broking [illegible] under substantial pressure and provided the market's heaviest traded [illegible] in [illegible] Corroon [illegible] day's keenest sell [illegible] in Sedgwick.

It [illegible] Willis Corroon, the UK market's second biggest insurance broker, that caught [illegible] in [illegible] a block [illegible] shares, roughly 2 per cent [illegible] the company's [illegible] capital [illegible] into the market [illegible] subsequently placed around [illegible] 130p level. Willis shares closed a net [illegible] lower at 137p. The stake sale and [illegible] took turnover in the [illegible] up [illegible] the highest single day's activity for almost four [illegible].

Insurance broking specialists [illegible] among the market's [illegible] performers [illegible] the [illegible] disappointment [illegible] by announcing poor first quarter results. Since [illegible] figures Willis shares have dropped from 239p to yesterday's closing level. [illegible] interim figures [illegible] expected [illegible] month.

Sedgwick, the [illegible] insurance [illegible] in [illegible] UK, [illegible] came under [illegible] shares sliding 7 to 164p as Credit Lyonnais Laing, the stockbroker, [illegible] profits and dividend estimates [illegible] group.

The broker focused on a host [illegible] points affecting [illegible] notably [illegible] US market renewals [illegible] July, [illegible] in the wholesale and commercial lines business in London, [illegible] expense controls and employee benefit business and [illegible] in the dollar, although CLL [illegible] Sedgwick had hedged [illegible] of [illegible] the current [illegible].

CLL [illegible] its end-1995 profits estimate from £111m to £100m, [illegible] dividend [illegible] mate from 7p to 6.8p.

TV stocks wanted

Television stocks resisted the [illegible] trend after [illegible] securities house pointed out [illegible] implied by their leveraged exposure to advertising growth. Carlton Communications was firm at at 858p and Scottish resilient at 399p.

Hoare [illegible] specialist Mr [illegible] Joliffe said Carlton had a third of the £1600m independent [illegible] advertising revenue [illegible] 90 [illegible] of any upturn would go straight [illegible] the [illegible]. The [illegible] ing [illegible] recently increased forecasts for [illegible] year's spending growth from 10 per cent to 13 per cent.

Hoare [illegible] one-off [illegible] for [illegible] Lottery [illegible] Tunnel [illegible] boost Carlton's forecast profits of around £175m by a further £10m.

Stores upset

[illegible] & Spencer [illegible] 400p as UBS featured the stock in a broad change of heart over the retail sector.

[illegible] overweight to neutral and its [illegible] M&S from buy to hold. UBS [illegible] the rising [illegible] of raw [illegible] would be passed on to the retailers who [illegible] enjoyed a good [illegible] share price terms over the past year. Also [illegible] price [illegible] could be passed [illegible] to the con[illegible].

Elsewhere in the sector Kingfisher tumbled 12 to 512p and Boots 12 to 536p. However, Great Universal Stores rose 7 to 574p ahead of figures tomorrow [illegible] the possibility [illegible] company might buy [illegible] a percentage of [illegible].

Food manufacturer Hillsdown fell [illegible] to 162 as Strauss [illegible] cut its 1994 [illegible] by [illegible] to £167m and next year's by £9m [illegible] citing dull trading in [illegible] UK [illegible] overseas competition.

Tobacco and insurance conglomerate BAT Industries [illegible] up in early trading following encouraging [illegible] the tobacco industry from US rival Philip Morris which announced that second quarter said that [illegible] quarter earnings were up by 19.3 per cent. However the dollar-prompted pressure in [illegible] afternoon [illegible] shares close 2 off at 410p.

Pharmaceuticals were generally weak [illegible] no [illegible] latest statement by [illegible] the [illegible] group which warned [illegible] growth during [illegible] second half would [illegible] slower than in recent years.

Dollar weakness played a significant part but Glaxo [illegible] restrained by a perception that it [illegible] falling behind in [illegible] to capture [illegible] market share following the purchase of a distributor by rival Eli Lilly. The [illegible] 13½ [illegible] 549½p.

SmithKline Beecham dropped 12 [illegible] 388p [illegible] about a third of a 9m share deal believed to have been carried [illegible] by Smith New Court still lingered on the marketmaker's [illegible].

ICI stood out with a rise of 8 to 777p. Mr Andrew Stott of Kleinwort Benson said that [illegible] avoided being driven by the state of the [illegible] currency as the chemicals company's dollar related sales were [illegible] by [illegible] material costs.

Speciality [illegible] group Laporte rose [illegible] 727p with dealers citing a recommendation by Goldman Sachs. The Goldman team was unable [illegible] as they were taking part in an analysts' visit to a Courtaulds' [illegible] in Germany. The latter's shares, [illegible] quite strongly [illegible] the dollar, drifted 4 to 495p.

The oil majors moved in opposite directions with BP making good [illegible] and Shell coming under selling pressure in the wake of news of an [illegible] the [illegible] in the Nigerian oilfields.

Shell, down 3½ at 694½p, suffered because of its substantial Nigerian production interests, but BP moved up 4½ to 384½p reflecting its high gearing to a rising oil price. August Brent jumped 75 cents to $18.57 a barrel on the Nigerian strike news which analysts said could reduce global oil output by around [illegible] a day.

Several [illegible] in the transport [illegible] succumbed [illegible] profit-taking after a strong [illegible] run. The list included British Airways, [illegible] lower [illegible] 416p, after trade of 4.2m.

Broker recommendations boosted Christian Salvesen 9 to 286p.

Shares in British Steel [illegible] 3½ [illegible] 151½p, on volume of 10m, after NatWest Securities met with the company on Monday evening.

Analysts [illegible] have been cautious on the stock but [illegible] "It was a good and encouraging presentation with the company confident [illegible] trading outlook." NatWest [illegible] was reviewing [illegible] current profits forecast of £270m, "with a view to raising it."

Vehicle distributor Euro Motor Holdings eased 2 to 119p, after a 2-for-5 placing and open offer was carried out by [illegible] broker Charterhouse Tilney. An upbeat annual meeting presentation by metals [illegible] Johnson Matthey, lifted the shares 21 to 535p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS [illegible]. DISTRIBUTORS (1) Pafer, ELECTRNC & ELECT EQUP (2) Nolus Corp Prf., TDI, EXTRACTIVE INDS (2) Devas, Impala Platinum, GAS DISTRIBUTION (1) Rogas, HOUSEHOLD GOODS (2) Denby, Swallowfield, OIL EXPLORATION & PROD (1) Central Pacific, [illegible] SERVS (1) Real Time Control, [illegible] & APPAREL (1) Toray, TRANSPORT (2) CANADIANS (1) Gulf Canada.

NEW LOWS (125). BREWERIES (1) Greenalls, BUILDING & CNSTRN (4) Gleeson (MJ), Tay Homes, VHE, Ward, BLDG MATLS & MCHTS (1) Sycamore, DISTRIBUTORS (6) Caelec, European Motor, Farnell, Gardner, ISA Int'l., Wholesale Fittings, ELECTRNC & ELECT EQUP (3) Betacom, Johnson Electric, Tunstall, [illegible] ENG, VEHICLES (1) Mid-States, EXTRACTIVE INDS (3) FOOD MANUF (3) Nichols (Vimto), United Biscuits, HEALTH CARE (4) Drew Scientific, Hearncoat, London Int'l., [illegible] HOUSEHOLD GOODS (1) Tarns (J), INSURANCE (7) Dalien Lloyds, Fenchurch, Heath (CE), JIB, Meathead, New London Capital, Willis Corroon, INVESTMENT TRUSTS (10) INVESTMENT COMPANIES (21) LEISURE & HOTELS (1) Fons, MEDIA (6) News Int'l., Phonelink, SelecTV, Sterling Publg., Trinity Int'l., [illegible] BANKS (1) Wintrust, OIL EXPLORATION & PROD (1) Brit. Borneo, OTHER [illegible] (3) OTHER SERVS & BUSNS (1) Cape Range, [illegible] (3) Lilly (Eli), Proteus Int'l., Schering, PRTNG, PAPER & PACKG (4) Brit. Polythene 7½/3pc Prf., Field, Stellgo, [illegible] (J), [illegible] Fletcher King, London Secs., RETAILERS, FOOD (1) Brake Bros., RETAILERS, GENERAL (4) Clinton Cards, Country Casuals, Courts, Sears, SUPPORT SERVS (4) DRS Data Res, Intl. Comm. & Data, Lynx, Oxford Molecular, TEXTILES & APPAREL (3) Baillers, Haggas (J), Usher (F), TRANSPORT [illegible] Badgerline, [illegible] Seacon, [illegible] (10).

EQUITY FUTURES AND OPTIONS TRADING

A clumsily-executed sell order combined with a slide in US markets undermined [illegible] index futures pulling the [illegible] month Footsie contract lower, writes Joel Kibazo.

The September contract on the FT-SE 100 opened strongly at 3,006. A firm rally appeared to be on the way when early buyers quickly pushed September to 3,010. But this turned out to be the high of the day. A mid-morning US seller of around a 1000 lots triggered a wave of selling activity reversing September's earlier gains.

It fell to a low of 2,945 over lunch before the [illegible] of US producer prices data brought about an adavance in US bonds. [illegible] in London used this as an opportunity for bargain hunting, helping the contract reduce [illegible].

However, the renewed buying proved short lived and the slide in US bonds once again saw sellers gain the upper hand

It closed at 2,970, down 27 on its previous finish and 3 above its fair value premium to cash of about 5 points. Volume at 19,972 was healthy.

Traded options were also busy and volume jumped to 46,986 lots of which 22,037 was dealt in the FT-SE 100 option and 3,930 in the Euro-FT-SE option. British Steel was the busiest stock option following a "roll over" trade. It saw business of 6,432 lots.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]	3006.0	2970.0	-27.0	3010.0	2945.0	19972	50126
[illegible]	3016.5	[illegible]	[illegible]	[illegible]	[illegible]	102	1151

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	3470.0	3470.0	1	[illegible]

FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	3466.0	-	-	-	-	-	698

All open interest figures are for previous day. † Exact volume shown.

FT-SE 100 INDEX OPTION (LIFFE) (*2963) £10 per full index point

[illegible]

Calls 7,442 Puts 14,120

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 2,726 Puts 1,204 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3300	3350	3400			
Jul	3	22½ 16½ 10½ 42				

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	11,000	57	-½
[illegible] National†	3,600	460	-3
Albert Fisher	3,100	47	
Allied-Lyons†	2,100	[illegible]	-6
[illegible] Water	[illegible]	475	-3
[illegible]	[illegible]	388	[illegible]
Argyll Group†	8,400	232	[illegible]
Arjo Wiggins†	5,100	201	[illegible]
Assoc. [illegible] Foods†	[illegible]	[illegible]	[illegible]
Assoc. [illegible] Ports	[illegible]	[illegible]	[illegible]
BAA†	1,000	[illegible]	[illegible]
BAT Inds.†	2,400	410	[illegible]
[illegible]	3,600	[illegible]	[illegible]
[illegible]	408	[illegible]	[illegible]
[illegible]	641	[illegible]	[illegible]
[illegible]	13,000	[illegible]	[illegible]
BPB Inds.	657	310	[illegible]
BT†	6,100	[illegible]	[illegible]
BT (Pt/Pd)	2,800	[illegible]	[illegible]
BTR†	3,700	376	-2
Bank of Scotland†	1,800	177½	[illegible]
Barclays†	2,800	528	[illegible]
Bass†	2,100	521	[illegible]
Blue Circle†	1,800	317	-3
Booker	382	409	[illegible]
Boots†	2,700	536	-12
[illegible]	1,000	436	[illegible]
Brit. Aerospace†	2,800	472	[illegible]
British Airways†	4,200	[illegible]	-5
British Gas†	7,000	[illegible]	[illegible]
British Land	2,400	[illegible]	[illegible]
British Steel†	10,000	151½	[illegible]
Burial	1,100	[illegible]	[illegible]
Burmah Castrol†	113	[illegible]	[illegible]
Burton	10,000	[illegible]	[illegible]
Cable & Wire†	2,400	404	[illegible]
Cadbury Schweppes†	1,800	436	[illegible]
Calor Group	6	274	
[illegible]	611	324	-1
[illegible] Comms.†	1,400	858	[illegible]
Coats Viyella†	3,600	210	+4
Comm. Union†	332	515	-5
Cookson	2,000	245	
[illegible]	4,600	[illegible]	-4
[illegible]	[illegible]	[illegible]	[illegible]
Eastern Elec.	[illegible]	667	[illegible]
East Midland Elec.	[illegible]	582	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	410	[illegible]
Eurotunnel Units	304	[illegible]	-1
FKI	[illegible]	[illegible]	[illegible]
Forte	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.	[illegible]	[illegible]	[illegible]
Forte†	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elec†	[illegible]	[illegible]	[illegible]
Glaxo†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Cr.	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FT-SE Actuaries Share Indices — The UK Series

	Jul 12	Day's chge%	Jul 11	Jul 8	Jul 7	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2963.9	-0.7	2983.8	[illegible]	[illegible]	[illegible]	4.18	7.09	16.66	66.96	1106.81
FT-SE Mid 250	3465.9	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	3.58	5.90	20.26	72.61	1261.18
FT-SE Mid 250 ex Inv Trusts	3471.1	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	3.71	[illegible]	[illegible]	75.32	[illegible]
FT-SE-A 350	[illegible]	-0.6	1502.8	[illegible]	[illegible]	1421.5	[illegible]	[illegible]	17.38	33.21	[illegible]
FT-SE SmallCap	1777.31	-0.1	1778.66	1776.51	1778.00	1684.46	3.17	4.25	29.90	29.85	[illegible]
FT-SE SmallCap ex Inv Trusts	1763.38	-0.1	1764.35	1763.13	1764.72	1636.01	[illegible]	4.67	27.69	30.60	[illegible]
FT-SE-A ALL-SHARE	1483.88	-0.5	1491.78	1482.25	1483.05	1408.44	[illegible]	6.84	17.92	32.42	[illegible]

FT-SE Actuaries All-Share

[illegible]

Hourly movements

[illegible]

Time of FT-SE 100 High 8.41am Low 11.23am

FT-SE Actuaries 350 Industry baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

Underlying security price. Premiums shown are based on closing offer prices. [illegible]

FT GOLD MINES INDEX

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	83	1	[illegible]
Other Fixed Interest	13	0	2
Mineral Extraction	79	43	78
General Manufacturers	111	[illegible]	385
Consumer Goods	35	45	111
Services	67	125	314
Utilities	7	25	13
Financials	63	88	184
Investment Trusts	65	[illegible]	318
Others	27	[illegible]	39
Totals	530	673	1482

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings July 11 Last [illegible]
Last Dealings July 22 For [illegible] Oct 24

Calls: Arcon Intl, Aminex, Aveeco, Brit Airways, Electron House, Inchcape, Tullow Oil. Puts: Aminex, Arcon Intl, Aveeco, Inchcape. Puts & Calls: Arcon Intl.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

	July 12	July 11	July 8	July 7	July 6	Yr ago	*High	*Low
Ordinary Share	2332.1	2353.1	2331.4	2327.4	2305.7	2228.5	2713.6	2240.6
Ord. div. yield	[illegible]	4.27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.43
Earn. yld. % full	[illegible]	5.66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio nil	19.34	[illegible]	[illegible]	[illegible]	[illegible]	19.08	[illegible]	30.30

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 [illegible]. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

[illegible]

	July 12	July 11	July 8	July 7	July 6	Yr ago
SEAQ bargains	22,441	23,211	[illegible]	[illegible]	[illegible]	[illegible]
Equity turnover (£m)†	-	1172.7	[illegible]	1310.7	[illegible]	[illegible]
Equity bargains†	-	26,021	[illegible]	21,923	[illegible]	[illegible]
Shares traded (mil)†	-	437.8	[illegible]	440.0	[illegible]	[illegible]

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅛	-⅛	£25⅛	£20¼	8,487	5.1	ϕ
ANZ A$		186¼	+1½	278¼	179¾	2,478	5.0	14.3
Abbey National	♣NC	400	-3	523	381	5,248	4.4	13.4
Allied Irish I£	♣NC	298	+5	314	234	1,847	5.0	9.6
Anglo Irish I£	MNC	54xd	+2	70	50	185.8	8.0	9.9
Asahi Y		786¾	-8	819¼	628	18,258	0.6	ϕ
Banco Bil Viz Pta		£14⅛	-⅛	£16⅞	£14⅛	3,342	5.7	6.5
Banco Sant Pta		£30½	—	£30½	£23¾	4,808	4.7	10.8
Bk Ireland I£	♣	271xd	+6	319	245	1,277	4.8	7.8
Bank Scotland	♣NC	177½xd	-2½	247	172½	2,089	3.8	14.5
9¼pc Pf		118¼	+½	141½	114	118.2	9.8	-
9¾pc Pf		123¼	+½	148½	119¾	123.2	9.9	-
Barclays	♣NC	526	-3	640	487	8,558	3.6	21.8
Dai Ichi Kan Y		£12	-¼	£12⅞	£10⅞	37,409	0.5	86.3
Deutsche DM		£298⅞	-1⅞	£344¼	£270⅞	14,260	2.0	-
Espirito Santo		£17⅛	-⅛	£26⅞	£17⅞	188.7	4.5	4.2
First Nat Fin	NC	65	—	90	60	107.8	2.9	-
6.3pc Cv Pf		78xd	—	90	77	5.31	10.0	-
7pc Cv Pf		131xd	-½	171	123	82.2	6.7	-
Fuji Bank Y		1481¼	-1¼	1549¼	1152½	42,892	0.4	ϕ
HSBC HK	NC	685	+4	1133	680	11,587	4.3	9.9
HSBC (75p Shs)	NC	665	+5	1113	660	5,647	4.4	9.6
Lloyds	NC	539	—	680	519	6,969	5.1	11.4
Mitsubishi Y		£17⅛	+⅛	£18⅞	£15⅝	49,090	0.3	ϕ
Mits Tst & Bk Y		1094¼	-9¾	1162¼	687½	13,473	0.5	18.6
Mitsui Tst & Bk Y		782	-3¾	879	514	9,130	0.7	26.0
Nat Aust A$	†	503½xd	+7½	620¼	489¾	6,738	4.7	12.3
NatWest	NC	434	-5	622	421	7,221	5.3	9.9
Ottomane FFr		£23½	—	£33	£23½	117.5	6.2	ϕ
Ryl Bk Scotland	♣†NC	404xd	+3	528	382½	3,219	3.7	18.3
Sakura Y		£21⅛	-⅛	£21⅞	[illegible]	29,725	0.6	56.0
Sanwa Y		£14⅞	-⅛	£15⅛	£11⅛	41,443	0.4	ϕ
Standard Chartd	NC	249	-1	358¼	223	2,392	3.0	10.9
7 3/8pc Pf		93¼	+½	108½	89¼	93.2	9.9	-
Sumitomo Y		£13⅛	-⅛	£16⅛	£11½	41,883	0.4	29.7
Sumitomo Tst Y		1011¼	-13	1148½	625	12,684	0.5	ϕ
TSB	†NC	203	+2	281	197	3,105	5.1	10.0
Tokai Y		£8⅞	-⅛	£9	£5⅞	17,412	0.6	57.4
Toyo Tst & Bk Y		770¼	-24½	852	585¼	6,053	0.6	68.7
Westpac A$		213	+5	260	194	3,724	2.6	ϕ
Yasuda Tst Bk Y	♣	608	-6	656	442	6,706	0.8	54.2

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

AMERICANS

OTHER FINANCIAL

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Net asset values supplied by National Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by National Securities Limited as a guide only. See guide to London Share Service

MERCHANT BANKS

RETAILERS, FOOD

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

LEISURE & HOTELS

TOBACCO

TRANSPORT

PROPERTY

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£23¼		£27½	£13½	[illegible]	2.9	18.8
Barlow	‡	844½xd	-⅛	[illegible]	[illegible]	[illegible]	0.7	-
Gold Flds Prop R		87		109	78	[illegible]	10.3	8.6
MK Props		85		95	80	[illegible]	10.5	34.9
SASOL	♥	385	+10	392	280	[illegible]	4.8	-
SA Brews		£11⅛	+⅛	£16⅞	£10	[illegible]	2.3	19.4
Tiger Oats	†	830xd		885	536	[illegible]	2.5	13.6
Tongaat-Hulett		652x	-4	739¼	427½	[illegible]	2.4	18.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service [illegible] by Extel Financial, a member of the Financial Times Group.

Company classifications are based on [illegible] used for the FT-SE [illegible] Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status [illegible] in the notes column daily and guide to yields and P/E ratios. Divid[illegible] and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most active [illegible] stocks. This includes UK stocks where transactions are [illegible] published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings [illegible] by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for [illegible] on other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for [illegible] outside the UK, annual subscription £250 [illegible]. Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust [illegible] are available over [illegible] telephone. Call the FT Cityline Help Desk on (071) [illegible] details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ						[illegible]
AIB Grofund American	5	151.8	152.2	161.3	-2.00	[illegible]
AIB Grofund Equity	5	222.2	223.2	238.3	+0.30	[illegible]
AIB Grofund Euro	5	193.3	194.7	[illegible]	[illegible]	[illegible]
AIB Grofund Excl Balanced	3	109.8	111.0	115.0	[illegible]	[illegible]
AIB Grofund Gilt	3	76.18	76.17	77.50	[illegible]	[illegible]
AIB Grofund Japan	3	198.3	200.6	212.1	[illegible]	[illegible]
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry						0203 553231
General Inc	5	442.8	444.8	473.2	—	2.67
General Acc	5	496.5	497.7	529.5	—	2.67

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid [illegible]. This charge is included in the [illegible]

[illegible] PRICE: Also called issue price. The [illegible] are bought by investors.

[illegible]: Also called redemption price. [illegible] units are sold back by [illegible]

CANCELLATION PRICE: The [illegible] The maximum spread between [illegible] prices is determined by a [illegible] by the government. In [illegible] trust managers quote a much [illegible] As a result, the bid price is [illegible] the cancellation price. However, [illegible] be moved to the cancellation [illegible] managers at any time, usually in [illegible] which there is a large excess [illegible] over buyers.

TIME: [illegible] the fund [illegible] unit trust's [illegible] is indicated [illegible] unit trust [illegible] (▼) - 0001 to 1100 hours; (▲) - [illegible] (♦) - 1401 to [illegible] midnight. Daily [illegible] basis of the valuation [illegible] period of time may [illegible] available.

[illegible] PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

CAF – Charity Money Management

CIS Unit Trust Managers Ltd

INSURANCES

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Aetna Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Canada Life Group - Contd.

Century Life Plc

City of Westminster Assurance Co

Family Life Assurance Ltd

Friends Provident

Irish Life Assurance Co Plc

M & G Life and M & G Pensions

National Westminster Life Assce Ltd - Contd.

Prudential Corporate Pension Funds

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SE[redacted]VICE

● FT [redacted] Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on [redacted]) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Bank of Canada Intl Fd Mgt Ltd				
International Bond †	$1.100	1.105	-0.4	5.16
†Prices on Jun 28 last dealing [illegible]				
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
[illegible]	[illegible]	[illegible]		1.57
For Royal Trust see Royal Bank of Canada				
Schroder Mngt Services (Jersey) Ltd				
[illegible]	[illegible]	[illegible]		
Scrimgeour Kemp-Gee Mngmt., Jersey				
[illegible]	[illegible]	[illegible]		
TSB Trust Funds (CI)				
[illegible]	[illegible]	[illegible]		
Warburg Asset Management Jersey Ltd				
[illegible]	[illegible]	[illegible]		

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Fleming Group - Contd.

[illegible]

Foreign & Colonial Emerging Markets Ltd (u)

Exchange Hs, Primrose St, Ldn, EC2A 2NY 071-628 1234

[illegible]

Frontrunner I (u)

[illegible]

S.G. Warburg Asset Mngmt Lux SA

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

Global Futures & Options SICAV

H.C.M. HYPO Capital Mgt Luxembourg SA

HSBC MAPT Luxembourg SA

[illegible]

Templeton Worldwide Investments

Transworld Bond Trust

US Pacific Stock Fund (u)

For Wallbank SA Frontrunner I see Frontrunner I

Unico Financial Services SA Lux

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

[redacted]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar decline continues

The dollar continued [illegible] relentless decline [illegible] foreign exchanges yesterday as hopes dimmed of the [illegible] raising US interest rates, *writes Philip Gawith.*

June producer price inflation was much more subdued than the market had expected, and this dampened hopes [illegible] tighter monetary policy which might [illegible] helped [illegible] dollar.

The dollar [illegible] at [illegible] lows in London [illegible] the yen and the D-Mark, finishing [illegible] from DM1.54, and [illegible] from [illegible].

After fairly quiet European trading, the [illegible] currency started [illegible] slide when US markets opened. The PPI [illegible] were followed by comments from Mr [illegible] Waigel, [illegible] German finance minister, which appeared to underline [illegible] resolve [illegible] Group of Seven nations not to be drawn into a defence of the dollar.

The weakness of the dollar continued to [illegible] drag on sterling which fell [illegible] lowest level against [illegible] D-Mark since shortly after Britain's departure from the European exchange [illegible] mechanism. [illegible] UK [illegible] in London more [illegible] pfennig lower [illegible] from [illegible] on Monday.

Against [illegible] dollar it finished at $1.5725 [illegible]. The sterling index fell [illegible] from 79.

In Europe [illegible] D-Mark gave up some [illegible] gains, finishing slightly lower against the Belgian and French francs, [illegible] Italian lira [illegible] ish krona.

■ Despite [illegible] continuing decline [illegible] the dollar, analysts [illegible] there [illegible] been [illegible] sign [illegible] intervention. [illegible] impression that politicians intend standing [illegible] bolstered by Mr Waigel's [illegible] after meeting Mr Clinton.

"The [illegible] fundamentals are in order in the US. The agreement by [illegible] minister (leaving the [illegible] of [illegible] dollar [illegible] market) was [illegible] correct way. The US has inflation under control and good growth. These are [illegible] for a [illegible] dollar," [illegible] told reporters.

[illegible] *assurances* were ignored [illegible]. Mr [illegible] MacKinnon, chief [illegible] Citibank [illegible] London, said [illegible] had been heavy selling of the dollar by US funds - including hedge funds and institutional investors - who had previously been very bullish about the dollar. He said it was only since Friday that these funds had been seen in the market.

With the dollar having fallen by twelve pfennigs over the last month - half of the fall coming [illegible] Friday - Mr MacKinnon [illegible] in [illegible] bear [illegible] had [illegible] telescoped. [illegible] a revisiting of [illegible] all time [illegible] against the [illegible] DM1.38, [illegible] a medium term event, [illegible] now "within hailing distance".

Most analysts are expecting the dollar to decline further. Mr [illegible] Oliver, [illegible] trading [illegible] Midland [illegible] Markets, [illegible] "The problem for the dollar is that once [illegible] market [illegible] there, [illegible] stop it [illegible] it gets [illegible] bought [illegible] oversold."

Mr Oliver [illegible] have [illegible] the downward [illegible] of prices and [illegible] still sitting on long dollar positions. Only when [illegible] market [illegible] got [illegible] can a rebound of [illegible] duration be predicted.

■ Sterling's weakness was further evidence of the currency's [illegible] to the dollar. [illegible] Tony [illegible], UK Treasury economist at ABN-AMRO, [illegible] a study [illegible] £/DM movements [illegible] the past [illegible] months showed that 95 [illegible] cent of them could be explained by movements in the [illegible].

"Sterling has [illegible] really [illegible] an independent life of its own," said Mr [illegible] UK currency tends to fall by a ratio of 1:2 compared to the US currency. With few immediate reasons [illegible] independent sterling strength, Mr Norfield said the currency was likely to remain under pressure.

Analysts cautioned against alarmist conclusions, saying the currency would have to fall a [illegible] further [illegible] panic [illegible]sures [illegible] resorted to.

On [illegible] effective index, sterling has traded for [illegible] of the last 18 months [illegible] range, with a [illegible] spike [illegible] to 76 in February 1993, and a brief run up to 83 in [illegible] this year.

■ The influx of US and Asian buying into European debt markets helped boost the short end of the interest rate futures markets. The December short sterling contract closed at 93.69 from 93.64, with 23,530 lots traded. Most of the longer contracts chalked up double digit gains.

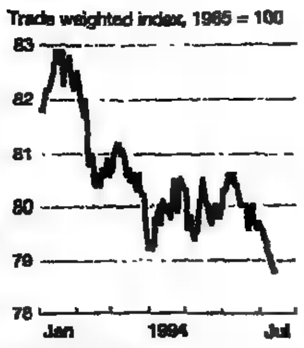
Mr Richard [illegible], analyst at brokers GNI, said the picture was confusing. Last week [illegible] fall [illegible] sterling [illegible] spilled [illegible] selling of [illegible] sterling [illegible]. [illegible] the reverse occurred.

[illegible] traded heavily, with [illegible] December contract trading nearly 51,000 lots to close at [illegible] from 95.08.

German call [illegible] unchanged [illegible] 4.95/5.05 [illegible] ahead of today's repo [illegible]tion where the rate is expected to [illegible] up [illegible] three [illegible] points from 4.93 per cent.

In [illegible] Bank of England provided [illegible]kets with [illegible] liquidity [illegible] forecasting a [illegible] shortage.

Sterling



Source: Datastream

■ **Pound in New York**

Jul 12	Latest	Prev. close
£ spot	1.5733	1.5720
1 mth	1.5728	[illegible]
[illegible]	1.5724	1.5711
1 yr	1.5695	[illegible]

■ **OTHER CURRENCIES**

Jul 12	£	$
[illegible]	105.115 - [illegible]	[illegible] - 99.4100
Iran	2728.00 - 2728.00	[illegible]
Kuwait	0.4697 - [illegible]	0.2950 - 0.2955
[illegible]	[illegible]	22080.0 - 22110.0
[illegible]	[illegible]	[illegible]
UAE	5.7719 - 5.7827	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 12		[illegible]	Change on day	Bid/offer [illegible]	Day's Mid [illegible]	[illegible]	One month Rate	[illegible]	Three months [illegible]	%PA	One year [illegible]	%PA	Bank of Eng. Index
[illegible]													
Austria	(Sch)	16.8376	-0.0939	283 - 468	[illegible]	[illegible]	16.8339	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Belgium	(BFr)	49.3887	-0.3273	451 - 922	49.6160	49.3451	49.3587	-0.5	[illegible]	[illegible]	[illegible]	0.0	117.1
Denmark	[illegible]	[illegible]	-0.054	168 - 282	[illegible]	[illegible]	9.4285	-0.9	[illegible]	-1.0	[illegible]	-0.6	117.5
[illegible]	(FM)	[illegible]	-0.0557	147 - 290	7.9660	7.9147	-	-	-	-	-	-	[illegible]
[illegible]	(FFr)	[illegible]	[illegible]	234 - 334	[illegible]	[illegible]	[illegible]	-0.9	[illegible]	-0.6	[illegible]	0.0	109.9
Germany	(DM)	2.3958	[illegible]	942 - 973	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.1	[illegible]
Greece	[illegible]	361.833	[illegible]	560 - 105	363.506	361.560	-	-	-	-	-	-	-
[illegible]	[illegible]	[illegible]	-0.0012	081 - 102	1.0118	[illegible]	[illegible]	-0.5	[illegible]	-0.5	1.0119	-0.3	[illegible]
Italy	[illegible]	[illegible]	[illegible]	372 - 550	[illegible]	2373.72	[illegible]	-3.4	[illegible]	[illegible]	[illegible]	-2.9	77.1
Luxembourg	(LFr)	[illegible]	-0.3273	451 - 922	49.6160	49.3451	[illegible]	-0.5	[illegible]	-0.4	[illegible]	0.0	117.1
[illegible]	(Fl)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.0	[illegible]	[illegible]	[illegible]	1.0	121.2
Norway	[illegible]	10.5168	[illegible]	109 - 223	[illegible]	10.5109	10.511	0.6	[illegible]	[illegible]	10.5147	[illegible]	86.7
Portugal	(Es)	[illegible]	[illegible]	018 - 489	247.231	[illegible]	247.229	[illegible]	243.174	-4.7	-	-	-
Spain	[illegible]	197.153	-1.522	972 - [illegible]	[illegible]	[illegible]	[illegible]	-3.2	[illegible]	-2.9	[illegible]	-2.4	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	106 - 308	[illegible]	[illegible]	[illegible]	-2.3	11.8737	[illegible]	11.9787	-1.3	74.1
Switzerland	(SFr)	2.0231	-0.0087	216 - 245	2.0329	2.0216	2.0217	0.9	2.0184	0.9	1.9919	1.5	121.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.6
Ecu	-	[illegible]	[illegible]	538 - 551	[illegible]	[illegible]	[illegible]	-1.0	[illegible]	[illegible]	1.2576	[illegible]	-
[illegible]†	-	0.940431	-	-	-	-	-	-	-	-	-	-	-
[illegible]													
Argentina	[illegible]	[illegible]	+0.0084	690 - 702	1.5727	1.5686	-	-	-	-	-	-	-
[illegible]	(R)	[illegible]	[illegible]	384 - 424	1.4512	[illegible]	-	-	-	-	-	-	-
[illegible]	(C$)	2.1736	[illegible]	725 - 747	2.1833	2.1692	2.1757	-1.2	[illegible]	-1.2	2.2128	-1.8	85.2
Mexico	(New Peso)	5.3461	+0.0304	404 - 517	5.3520	5.3360	-	-	-	-	-	-	-
USA	($)	1.5725	+0.0087	720 - 730	1.5755	[illegible]	1.572	[illegible]	[illegible]	[illegible]	[illegible]	0.3	61.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1408	-0.0003	394 - 422	2.1453	2.1330	[illegible]	0.0	2.1427	-0.4	[illegible]	-1.0	-
Hong Kong	(HK$)	12.1500	+0.0657	453 - 546	12.1720	12.1252	12.1418	0.8	[illegible]	[illegible]	[illegible]	-0.1	-
[illegible]	[illegible]	[illegible]	+0.2708	058 - 489	49.4200	49.2230	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	-0.019	158 - 314	153.370	152.158	[illegible]	3.1	151.081	3.1	[illegible]	3.7	182.0
Malaysia	[illegible]	[illegible]	[illegible]	655 - 697	4.5764	[illegible]	-	-	-	-	-	-	-
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	2.6022	[illegible]	[illegible]	0.3	[illegible]	-0.4	[illegible]	-0.4	-
Philippines	(Peso)	41.5328	-0.003	864 - 991	[illegible]	41.1816	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8975	+0.0329	953 - 997	5.9084	[illegible]	-	-	-	-	-	-	-
Singapore	[illegible]	[illegible]	[illegible]	742 - 765	[illegible]	[illegible]	-	-	-	-	-	-	-
S Africa (Com.)	(R)	[illegible]	+0.0103	221 - 281	[illegible]	5.7311	-	-	-	-	-	-	-
S Africa (Fin.)	[illegible]	[illegible]	[illegible]	784 - 145	7.3316	[illegible]	-	-	-	-	-	-	-
South Korea	(Won)	1267.20	+7.23	686 - 784	1269.38	1264.86	-	-	-	-	-	-	-
Taiwan	(T$)	41.9905	+0.1836	677 - 133	42.0579	41.9006	-	-	-	-	-	-	-
Thailand	(Bt)	39.1710	+0.1554	423 - 992	[illegible]2460	39.1280	-	-	-	-	-	-	-

†SDR rate for Jul 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not [illegible] quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7075	-0.12	050 - 100	10.7825	10.7050	10.712	-0.5	[illegible]	[illegible]	[illegible]	0.8	104.4
Belgium	(BFr)	31.3950	-0.385	900 - 000	31.5700	31.3900	31.4175	-0.8	31.445	-0.6	31.485	-0.2	105.8
Denmark	(DKr)	[illegible]	-0.088	903 - 938	[illegible]	5.9903	5.9995	-1.5	[illegible]	-1.5	6.0521	-1.0	105.6
[illegible]	(FM)	[illegible]	-0.0838	348 - 407	[illegible]	[illegible]	[illegible]	-0.6	[illegible]	[illegible]	[illegible]	-1.0	77.1
France	[illegible]	[illegible]	[illegible]	312 - 342	5.2610	5.2312	5.2375	-1.1	5.2432	-0.8	5.2217	0.2	106.0
Germany	[illegible]	[illegible]	-0.0165	230 - 240	1.5325	1.5230	1.5239	-0.3	1.5232	0.1	1.511	0.8	107.2
Greece	[illegible]	[illegible]	-2.75	000 - 200	231.300	230.000	[illegible]	-7.0	232.3	-3.8	[illegible]	-2.0	69.5
[illegible]	[illegible]	[illegible]	+0.0106	571 - 584	1.5673	[illegible]	1.557	1.0	[illegible]	0.9	[illegible]	0.8	-
Italy	[illegible]	1510.09	-21.41	000 - 017	[illegible]	1510.00	[illegible]	-3.8	[illegible]	-3.4	[illegible]	-3.1	77.2
Luxembourg	(LFr)	[illegible]	[illegible]	900 - 000	[illegible]	[illegible]	31.4175	[illegible]	[illegible]	[illegible]	[illegible]	-0.2	105.8
[illegible]	(Fl)	1.7085	[illegible]	[illegible]	1.7189	1.7080	[illegible]	-0.3	[illegible]	[illegible]	[illegible]	0.7	105.9
[illegible]	(NKr)	[illegible]	[illegible]	863 - [illegible]	[illegible]	[illegible]	6.6913	-0.6	[illegible]	-0.7	6.6463	0.6	96.7
Portugal	(Es)	158.600	-2.3	500 - 730	157.490	[illegible]	157.9	-10.0	[illegible]	-8.9	[illegible]	-8.2	94.2
Spain	[illegible]	125.375	-1.675	300 - 450	126.223	125.300	[illegible]	-3.5	126.345	-3.1	[illegible]	-2.6	81.6
[illegible]	[illegible]	7.5172	-0.1202	131 - 212	7.5957	7.5131	7.5357	-3.0	7.5737	[illegible]	7.7322	-2.9	78.7
[illegible]	[illegible]	[illegible]	-0.0115	[illegible]	[illegible]	[illegible]	1.286	0.5	[illegible]	0.7	1.2898	1.3	106.8
UK	[illegible]	1.5725	[illegible]	720 - 730	[illegible]	[illegible]	[illegible]	[illegible]	1.5717	[illegible]	[illegible]	0.2	87.1
Ecu	-	1.2536	[illegible]	[illegible]	[illegible]	1.2487	[illegible]	1.3	[illegible]	1.1	[illegible]	-0.5	-
SDR†	-	1.46832	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	[illegible]	0.9982	[illegible]	981 - 982	0.9984	[illegible]	-	-	-	-	-	-	-
[illegible]	[illegible]	0.9160	[illegible]	150 - 170	[illegible]	[illegible]	-	-	-	-	-	-	-
[illegible]	[illegible]	[illegible]	-0.0079	820 - 825	1.3861	1.3815	[illegible]	-1.5	1.3877	-1.8	[illegible]	-2.0	81.6
[illegible]	(New Peso)	[illegible]	[illegible]	972 - 022	[illegible]	[illegible]	3.4007	-0.4	[illegible]	-0.3	[illegible]	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.9
Pacific/Middle East/Africa													
Australia	[illegible]	1.3614	-0.0078	608 - 618	[illegible]	[illegible]	1.3617	-0.3	[illegible]	-0.1	[illegible]	-0.3	[illegible]
Hong Kong	[illegible]	[illegible]	-0.0013	260 - 270	[illegible]	7.7260	7.726	0.1	[illegible]	-0.1	7.7427	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	650 - 725	31.3725	[illegible]	31.4488	-3.1	[illegible]	-2.9	-	-	-
Japan	(Y)	[illegible]	-0.56	[illegible]	[illegible]	[illegible]	[illegible]	2.6	[illegible]	[illegible]	[illegible]	3.5	152.1
Malaysia	(M$)	[illegible]	[illegible]	862 - 872	2.5915	2.5860	2.5792	[illegible]	2.5757	1.7	[illegible]	[illegible]	-
New Zealand	[illegible]	[illegible]	[illegible]	515 - 543	[illegible]	1.6447	1.6547	-1.3	[illegible]	-1.6	1.661	-1.7	-
Philippines	[illegible]	[illegible]	-0.15	000 - 000	26.7500	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7508	3.7502	3.7509	[illegible]	[illegible]	-0.3	[illegible]	-0.4	-
Singapore	(S$)	1.5108	[illegible]	103 - [illegible]	[illegible]	1.5068	[illegible]	[illegible]	[illegible]	0.3	1.5116	-0.1	-
S Africa (Com.)	(R)	3.6408	[illegible]	400 - 415	[illegible]	3.6315	3.6563	-5.1	[illegible]	-4.6	3.7613	-3.3	-
S Africa (Fin.)	(R)	[illegible]	[illegible]	300 - 500	4.6500	4.6300	4.6737	-6.7	4.7325	-6.0	-	-	-
South Korea	[illegible]	805.650	+0.15	700 - 000	806.300	805.700	808.85	-4.5	[illegible]	-3.2	830.65	-3.1	-
Taiwan	(T$)	26.7030	-0.032	970 - 090	26.7090	26.6690	[illegible]	-0.9	26.763	-0.9	-	-	-
[illegible]	(Bt)	24.9100	-0.04	000 - 200	24.9200	24.9000	24.9825	-3.5	25.11	-3.2	25.38	-2.7	-

†SDR rate for Jul 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal [illegible]. Forward rates are not [illegible] the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 11. Base [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]		[illegible]	[illegible]	FFr	DM	[illegible]	L	Fl	NKr	Es	Pta	[illegible]	[illegible]	£	C$	$	Y	Ecu
Belgium	(BFr)	[illegible]	[illegible]	16.67	[illegible]	2.044	4811	5.443	21.31	[illegible]	[illegible]	[illegible]	[illegible]	2.026	[illegible]	3.186	308.3	2.642
Denmark	(DKr)	52.39	[illegible]	8.732	[illegible]	1.071	[illegible]	2.852	11.16	[illegible]	209.2	12.54	2.147	1.061	2.307	1.669	[illegible]	1.332
France	[illegible]	[illegible]	11.45	10	2.912	[illegible]	[illegible]	[illegible]	12.79	299.3	[illegible]	14.37	[illegible]	[illegible]	[illegible]	1.912	185.0	1.525
Germany	[illegible]	20.61	3.933	3.434	1	0.421	[illegible]	1.121	[illegible]	102.8	82.26	4.933	[illegible]	0.417	[illegible]	0.657	63.52	0.524
Ireland	[illegible]	48.93	9.339	8.155	2.375	1	2364	2.663	[illegible]	[illegible]	[illegible]	11.71	[illegible]	0.991	2.156	1.569	150.8	1.244
Italy	(L)	2.079	[illegible]	[illegible]	0.101	[illegible]	[illegible]	0.113	[illegible]	10.37	8.299	[illegible]	0.085	0.042	0.092	0.066	[illegible]	0.053
Netherlands	(Fl)	18.37	3.507	3.062	[illegible]	[illegible]	[illegible]	1	3.615	[illegible]	73.35	[illegible]	[illegible]	0.372	0.809	[illegible]	56.64	0.467
Norway	[illegible]	[illegible]	[illegible]	7.821	[illegible]	0.969	2258	2.554	1	[illegible]	187.4	11.24	[illegible]	0.951	[illegible]	[illegible]	144.7	1.193
Portugal	(Es)	20.04	3.826	[illegible]	0.973	[illegible]	[illegible]	1.091	4.271	100.	80.02	[illegible]	0.821	[illegible]	0.883	[illegible]	81.79	0.510
Spain	[illegible]	[illegible]	4.781	4.175	1.218	[illegible]	[illegible]	[illegible]	[illegible]	128.0	[illegible]	6.997	[illegible]	0.507	1.103	0.798	77.22	0.637
Sweden	[illegible]	41.77	7.972	6.961	[illegible]	0.854	2009	[illegible]	8.900	[illegible]	[illegible]	10	1.712	[illegible]	[illegible]	1.331	128.8	[illegible]
Switzerland	(SFr)	[illegible]	[illegible]	[illegible]	1.184	[illegible]	1174	[illegible]	5.200	121.7	[illegible]	[illegible]	1	[illegible]	1.075	[illegible]	75.23	0.620
UK	(£)	[illegible]	[illegible]	8.228	2.396	[illegible]	2375	[illegible]	[illegible]	[illegible]	197.1	[illegible]	2.023	1	2.174	[illegible]	152.2	1.255
Canada	(C$)	22.71	[illegible]	[illegible]	1.102	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.460	1	[illegible]	[illegible]	0.577
US	($)	[illegible]	5.990	[illegible]	[illegible]	0.641	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.514	[illegible]	[illegible]	[illegible]	1	96.76	0.798
Japan	(Y)	[illegible]	[illegible]	[illegible]	15.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1295	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.246
Ecu		[illegible]	7.508	[illegible]	[illegible]	0.804	[illegible]	2.141	[illegible]	[illegible]	157.1	[illegible]	[illegible]	[illegible]	[illegible]	1.263	121.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM) DM 125,000 per DM**

	Open	[illegible]	[illegible]	High	Low	[illegible] vol	[illegible]
Sep	0.6538	0.6532	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	-	[illegible]	0.6535	620	[illegible]
Mar	-	0.6573	-	-	-	8	722

■ **JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100**

	Open	[illegible]	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	69,666
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,719	4,730
Mar	-	[illegible]	[illegible]	-	-	[illegible]	[illegible]

■ **SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

Sep	0.7760	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	0.7777	0.7762	270	1,127
Mar	-	0.7813	-	-	-	[illegible]	[illegible]

■ **STERLING FUTURES (IMM) £62,500 per £**

Sep	1.5720	[illegible]	-0.0022	[illegible]	[illegible]	[illegible]	[illegible]
Dec	1.5686	1.5690	[illegible]	[illegible]	[illegible]	147	445
Mar	-	1.5660	-	-	1.5660	2	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Jul 12	Ecu [illegible] rates	Rate against Ecu	[illegible] on [illegible]	% +/- from cen. [illegible]	% [illegible]	Div. [illegible]
Netherlands	2.19672	[illegible]	[illegible]	-2.17	4.47	-
Belgium	40.2123	39.4753	-0.0513	-1.83	4.12	13
Germany	1.94964	[illegible]	+0.00025	-1.71	3.98	-
Ireland	[illegible]	0.805207	[illegible]	-0.42	2.65	3
France	6.53883	6.57993	-0.00597	0.62	1.56	-5
Denmark	7.43679	7.53457	-0.0062	1.31	0.89	-6
Portugal	192.854	196.916	-0.464	2.11	0.10	-14
Spain	154.250	157.668	-0.555	2.21	0.00	-16
NON ERM MEMBERS						
Greece	264.513	269.429	+0.046	6.42	-6.59	-
Italy	1793.19	1899.07	-5.59	8.90	-3.49	-
UK	0.786749	0.797511	[illegible]	1.37	0.83	-

Ecu central rates set by the [illegible]. [illegible] are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **[illegible] SE £/$ OPTIONS £31,250 (cents per pound)**

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	[illegible]
1.475	9.53	9.51	9.62	-	-	[illegible]
1.500	7.08	7.18	7.48	-	0.11	0.50
1.525	4.59	4.97	5.52	-	0.39	[illegible]
1.550	2.25	3.08	3.82	-	0.99	1.74
1.575	0.49	1.69	2.46	0.06	2.04	[illegible]
1.600	0.01	0.81	[illegible]	0.80	3.60	4.36

Previous day's vol., Calls 141,660 Puts 139,803. Prev. day's open int., Calls 643,744 Puts 867,191

WORLD INTEREST RATES

MONEY RATES

July 12	[illegible] night	One month	[illegible]	Six [illegible]	[illegible] year	[illegible]	Dis. [illegible]	[illegible]
Belgium	[illegible]	[illegible]	5¾	[illegible]	[illegible]	[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]	5⅝	5⅞	[illegible]	[illegible]	[illegible]	-
France	5¾	[illegible]	5¾	[illegible]	6⅛	[illegible]	-	[illegible]
[illegible] ago	5¾	5⅞	5¾	5¾	[illegible]	[illegible]	-	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	[illegible]	[illegible]
[illegible] ago	5.05	4.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.05
Ireland	5½	[illegible]	5⅞	[illegible]	[illegible]	-	-	[illegible]
[illegible]	[illegible]	5⅞	5⅞	6⅛	6⅛	-	-	[illegible]
Italy	8⅛	[illegible]	8⅜	[illegible]	[illegible]	-	7.00	8.00
[illegible]	[illegible]	[illegible]	8⅛	8⅜	9⅛	-	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	4.91	[illegible]	5.06	[illegible]	-	[illegible]	-
Switzerland	4	[illegible]	[illegible]	4⅛	[illegible]	[illegible]	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	4⅛	[illegible]	[illegible]	3.50	-
US	[illegible]	[illegible]	[illegible]	5⅛	5¾	-	[illegible]	-
[illegible] ago	[illegible]	[illegible]	4⅞	[illegible]	5¾	-	[illegible]	-
Japan	2	[illegible]	[illegible]	2⅛	2⅜	-	1.75	-
[illegible]	2⅛	2	[illegible]	2⅛	2⅜	-	1.75	-
■ $ LIBOR [illegible]								
Interbank Fixing	-	[illegible]	[illegible]	5⅛	5⅝	-	-	-
[illegible]	-	[illegible]	4⅞	5⅛	5⅝	-	-	-
US [illegible] CDs	-	[illegible]	4.73	[illegible]	[illegible]	-	-	-
[illegible]	-	[illegible]	4.74	[illegible]	5.61	-	-	-
[illegible] Linked Ds	-	[illegible]	3⅜	3¾	4	-	-	-
[illegible]	-	[illegible]	3⅜	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 5; 6 mths: 5⅛; 1 year: 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 12	Short term	7 days notice	One month	Three months	Six months	[illegible]
[illegible]	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6
[illegible]	5⅝ - 5⅛	5⅜ - 5⅛	5⅞ - 5⅝	6⅛ - 6	[illegible]	[illegible]
D-Mark	5⅛ - 4⅞	4⅞ - 4⅞	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 4⅞
Dutch [illegible]	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - [illegible]	5¼ - [illegible]
[illegible] Franc	5½ - 5⅜	5½ - 5⅜	5⅝ - 5½	5¾ - 5⅝	5⅞ - 5¾	[illegible] - 6
[illegible]	12½ - 11½	14 - 13	13⅞ - 12⅞	13½ - 12½	[illegible] - 12½	13⅞ - [illegible]
[illegible]	7⅞ - 7⅛	7⅞ - 7⅛	7¾ - 7⅜	8 - 7⅞	[illegible]	[illegible]
Sterling	4⅞ - 4¾	4¾ - 4⅝	5⅛ - 4⅞	5⅛ - 5⅛	[illegible]	[illegible]
Swiss Franc	4¼ - 4	4¼ - 4	4⅛ - 4⅛	4⅜ - 4⅛	4⅜ - 4⅛	4⅝ - 4½
[illegible] Dollar	5⅝ - 5⅜	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6⅛	7⅛ - 7	7⅞ - 7¾
US Dollar	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5⅜ - 5⅛	5⅞ - 5¾
Italian Lira	9 - 7½	8⅛ - 7⅞	8⅛ - 8⅛	8⅜ - 8⅛	8⅝ - 8½	9⅛ - 9
Yen	2⅛ - 2	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅜ - 2⅛
Asian $Sing	3⅞ - 3⅝	3⅞ - 3⅝	4⅛ - 4⅛	4⅜ - 4⅛	5⅛ - 5⅛	5⅛ - 5⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate**

	Open	Sett price	Change	High	Low	Est. [illegible]	Open int.
Sep	94.13	[illegible]	+0.11	[illegible]	94.13	[illegible]	[illegible]
Dec	[illegible]	94.07	+0.17	94.09	[illegible]	[illegible]	[illegible]
Mar	93.81	93.88	+0.16	93.88	93.81	7,862	31,117
Jun	93.66	93.69	+0.14	93.72	93.64	5,053	24,560

■ **THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	94.61	[illegible]	94.59	[illegible]	229	2503
Dec	93.88	93.90	[illegible]	[illegible]	93.88	132	1917
Mar		93.61	+0.02			0	[illegible]
Jun		93.31	+0.02			0	[illegible]

■ **THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.21	95.18	-0.01	95.21	95.16	[illegible]	[illegible]
Dec	95.09	95.09	+0.01	95.14	95.08	[illegible]	190976
Mar	94.87	94.90	+0.04	94.94	94.85	30762	157699
Jun	94.61	94.63	+0.04	94.70	94.56	26306	97272

■ **THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	91.30	[illegible]	35009
Dec	91.00	91.18	+0.34	91.24	90.99	5098	[illegible]
Mar	90.64	90.78	+0.21	90.78	90.64	1035	12243
Jun	90.10	90.29	+0.20	90.30	90.10	622	10109

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

	[illegible]	[illegible]	[illegible]	High	Low	Est. vol	Open int.
Sep	95.75	95.78	+0.06	95.80	95.74	8787	25511
Dec	95.55	95.59	+0.10	95.61	95.53	2636	10432
Mar	95.27	95.30	+0.09	95.31	95.25	591	[illegible]
Jun	94.95	94.98	+0.09	94.97	94.94	126	1696

■ **THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.69	93.83	[illegible]	93.95	93.69	1642	11161
Dec	93.69	93.73	+0.06	[illegible]	93.69	1076	[illegible]
Mar	93.48	93.52	+0.06	93.57	93.48	434	4166
Jun	93.16	93.23	+0.09	93.25	[illegible]	51	896

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	93.87	93.93	+0.06	93.97	[illegible]	[illegible]	435,697
Mar	93.59	93.67	[illegible]	[illegible]	[illegible]	[illegible]	314,141

■ **US TREASURY BILL FUTURES (IMM) $1m per [illegible]**

Sep	[illegible]	95.10	[illegible]	[illegible]	[illegible]	[illegible]	22,711
Dec	94.47	94.53	+0.07	94.54	94.47	126	[illegible]
Mar	-	94.27	-	94.30	-	9	1,917

All [illegible] for [illegible]

■ **EUROMARK OPTIONS (LIFFE) DM1m points of [illegible]**

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	[illegible]
9500	0.18	0.20	0.21	0.24	[illegible]	0.02	0.03	0.15
9525	0.01	0.04	0.07	0.13	0.06	0.11	[illegible]	[illegible]
9550	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.34	0.47

Est. vol. total, Calls 5871 Puts 2853. Previous day's open int., Calls 223979 Puts [illegible]

■ **EURO SWISS FRANC OPTIONS (LIFFE) SFr [illegible] points of 100%**

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	[illegible]
[illegible]	[illegible]	0.16	[illegible]	0.10	0.32	0.63
[illegible]	0.04	0.08	0.11	0.28	0.49	0.81
[illegible]	0.01	0.03	0.08	0.48	0.69	1.01

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 305 Puts 1026

UK INTEREST RATES

LONDON MONEY RATES

Jul 12	Over-night	7 days notice	One [illegible]	Three [illegible]	Six [illegible]	[illegible]
Interbank Sterling	5⅞ - 1	5 - 4¾	5⅛ - 4⅞	5¼ - 5⅛	[illegible] - 5⅞	6¼ - 6⅛
Sterling CDs	-	-	4⅞ - 4⅞	5⅛ - 5⅛	5⅞ - [illegible]	6⅛ - 6⅛
Treasury Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	-	-
Bank Bills	-	-	4⅞ - 4⅞	5 - 4⅞	5⅞ - 5⅞	-
Local authority deps.	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - [illegible]	5⅞ - 5⅞	6⅛ - 6⅛
Discount Market deps	5½ - 3½	4⅞ - 4¾	-			

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 [illegible]	6-9 [illegible]	9-12 [illegible]
Certs of Tax dep. (£100,000)	1½	[illegible]	[illegible]	[illegible]	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. [illegible] of discount 4.9866pc. [illegible] rate [illegible] Finance. Make up day June 30, 1994. [illegible] for period Jul 26, 1994 to Aug 25, 1994, Scheme II & III 6.44pc. Reference rate for period Jun 1, 1994 to Jun 30, 1994, Scheme IV & V 5.1616pc. Finance House Base Rate 5¾pc from July 1, 1994

■ **THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

	[illegible]	Sett price	[illegible]	High	Low	Est. [illegible]	[illegible]
Sep	94.41	94.43	+0.03	94.44	94.40	[illegible]	[illegible]
Dec	93.66	93.69	+0.05	93.71	93.66	23530	[illegible]
Mar	93.05	93.13	+0.09	93.14	93.05	12052	67603
Jun	92.56	92.64	+0.13	92.64	92.56	5391	50869

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING [illegible]**

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	[illegible]
9425	0.27	0.11	[illegible]	0.09	0.67	[illegible]
9450	[illegible]	0.05	0.08	0.18	0.86	1.43
9475	0.03	0.03	0.03	0.35	1.09	[illegible]

Est. vol. total, Calls 3055 Puts 28322. Previous day's open int., Calls 221133 Puts 208445

BASE LENDING RATES

	%
Adam & Company	5.25
Allied Trust Bank	5.25
AIB Bank	5.25
●Henry Ansbacher	5.25
Bank of Baroda	5.25
Banco Bilbao Vizcaya	5.25
Bank of Cyprus	5.25
Bank of Ireland	5.25
Bank of India	5.25
Bank of Scotland	5.25
Barclays Bank	5.25
Brit Bk of Mid East	5.25
●Brown Shipley & Co Ltd	5.25
CL Bank Nederland	5.25
Citibank NA	5.25
Clydesdale Bank	5.25
The Co-operative Bank	5.25
Coutts & Co	5.25
Credit Lyonnais	5.25
Cyprus Popular Bank	5.25
Duncan Lawrie	5.25
Exeter Bank Limited	6.25
Financial & Gen Bank	6
●Robert Fleming & Co	5.25
Girobank	5.25
●Guinness Mahon	5.25
Habib Bank AG Zurich	5.25
●Hambros Bank	5.25
Heritable & Gen Inv Bk	5.25
●Hill Samuel	5.25
C. Hoare & Co	5.25
Hongkong & Shanghai	5.25
Julian Hodge Bank	5.25
●Leopold Joseph & Sons	5.25
Lloyds Bank	5.25
Meghraj Bank Ltd	5.25
Midland Bank	5.25
* Mount Banking	6
NatWestminster	5.25
●Rea Brothers	5.25
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Royal Bk of Scotland	5.25
●Smith & Williamson Secs.	5.25
TSB	5.25
●United Bk of Kuwait	5.25
Unity Trust Bank Plc	5.25
Western Trust	5.25
Whiteaway Laidlaw	5.25
Yorkshire Bank	5.25

● [illegible] Banking Association

* [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

CAF Money Management Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114

	Gross	Net	Gross CAR	Int Cr
Calcash Deposit Fund	4.61	-	4.60	3-Mth
Deposits Over £1 million	4.71	-	4.79	3-Mth
Deposits Over £2 million	4.81	-	4.83	3-Mth

The COIF Charities Deposit Account
2 Fore Street, London EC2Y 5AQ 071-588 1815
Deposit [illegible] 4.75 - 4.84 3-Mth

[illegible] Bd. of Fin. of Church of England§
[illegible] Street, London EC2Y 5AQ 071-588 1815
[illegible] 4.85 - 4.94 3-Mth

Money Market Bank Accounts

Aitken Hume Bank plc 30 City Road, London EC1Y 2AY 071-638 6070 [illegible]

Allied Trust Bank Ltd [illegible]

American Express Bank Ltd [illegible]

Bank of Ireland High Interest [illegible] Acc [illegible]

Bank of Scotland [illegible]

Barclays Select [illegible]

Barclays Prime Account H.I.C.A. [illegible]

Brown Shipley & Co Ltd [illegible]

Caledonian Bank Plc [illegible]

Cater Allen Ltd [illegible]

Charterhouse Bank Limited [illegible]

[illegible] Bank Flexible Solution Acc [illegible]

The Co-operative Bank [illegible]

Coutts & Co [illegible]

Dao Heng Bank (London) PLC Premier Acc [illegible]

Davenham Tst Plc–Davenham 500 Acc [illegible]

Fidelity Money Market Account [illegible]

Halifax Bldg Soc Asset Reserve Cheque Acc [illegible]

Julian Hodge Bank Ltd [illegible]

Humberclyde Finance Group [illegible]

Leopold Joseph & Sons Limited [illegible]

Kleinwort Benson Ltd [illegible]

Kleinwort Benson Private Bank [illegible]

Lloyds Bank – Investment Account [illegible]

Midland Bank plc [illegible]

Nationwide Bldg Soc – [illegible]

Portman Bldg Soc Prestige Cheque Account [illegible]

Rea Brothers Limited, Bankers [illegible]

Royal Bank of Scotland [illegible] Premium Acc [illegible]

Save & Prosper/Robert Fleming [illegible]

Tyndall Bank plc [illegible]

United Dominions Trust Ltd [illegible]

United Trust Bank Ltd (formerly ULC) [illegible]

J. Henry Schroder Wagg & Co Ltd [illegible]

Western Trust High Interest Cheque Acc [illegible]

NOTES– [illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 12 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jul 12 / Frs.)

[illegible]

DENMARK (Jul 12 / Kr)

[illegible]

FINLAND (Jul 12 / Mkk)

[illegible]

FRANCE (Jul 12 / Frs.)

[illegible]

GERMANY (Jul 12 / Dm.)

[illegible]

ITALY (Jul 12 / Lire)

[illegible]

NETHERLANDS (Jul 12 / Fls.)

[illegible]

NORWAY (Jul 12 / Kroner)

[illegible]

SPAIN (Jul 12 / Pts.)

[illegible]

SWEDEN (Jul 12 / Kronor)

[illegible]

SWITZERLAND (Jul 12 / Frs.)

[illegible]

PACIFIC

JAPAN (Jul 12 / Yen)

[illegible]

HONG KONG (Jul 12 / H.K.$)

[illegible]

MALAYSIA (Jul 12 / MYR)

[illegible]

SINGAPORE (Jul 12 / S$)

[illegible]

AUSTRALIA (Jul 12 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jul 12 / Can $)

4 pm close

[illegible]

MONTREAL (Jul 12 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jul 12 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Tuesday, July 12, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	38.5m	1200	+60	Mitsubishi Hvy	4.2m	789	+1
Japan Energy	8.7m	491	+18	Chiba Bank	4.1m	891	–14
Takuma Co	4.5m	2000		Toray Ind	4.0m	780	+13
Nippon Steel	4.4m	348		Kawasaki Steel	4.0m	395	–5
Hitachi	4.4m	1020	–10	Nip Formula Feed	3.0m	838	–8

INDICES

[illegible]

US INDICES

[illegible]

STANDARD AND POORS 500 INDEX FUTURES

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CAC-40 STOCK INDEX FUTURES (MATIF)

[illegible]

Open interest figures for previous day.

** Sat July 9 : Taiwan Weighted Price 6186.27; Korea Comp Ex 956.38. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal. ✦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 12 - 2048.57 –20.89

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◈ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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4 pm close July 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅞	AAR	0.48	3.4	16	175	14	13¾	14	+¼
16⅝	13	A L Labs A x	0.18	1.3	31	112	13½	13¼	13⅜	+⅛
70⅞	57⅝	AMP	1.68	2.3	25	6668	u72⅝	70¾	72⅜	+1⅜
72¾	52½	AMR			31	4084	67⅝	60⅝	61	-⅞
5	3⅞	ARX			12	82	3¾	3⅝	3⅝	-⅛
56⅛	38⅝	ASA	2.00	4.4	29	778	45½	44⅝	45	+⅛
31⅞	25⅞	AbbtL x	0.76	2.8	15	37589	28¼	26¾	26¾	-2⅛
13¾	11⅜	Abitibi Pr	0.50	4.2	8	188	11⅞	11¾	11⅞	
23⅝	17¾	ABM Ind	0.52	2.7		117	19⅝	19½	19½	-¼
13¾	11⅛	Acptncain			24	71	u13¾	13⅜	13⅜	-½
31	22¾	ACE Ltd	0.44	1.9	3	618	23½	23	23¼	+½
12½	10⅛	ACM Gvt In	1.09	10.0		201	11	10⅞	11	+⅛
10⅛	7⅞	ACM GvOpp	0.80	9.5		236	8⅜	8¼	8⅜	
10⅝	8	ACM Gvt Sp	0.98	12.0		302	8⅛	d8	8	-⅛
12	9⅛	ACM Gvt Se	1.09	11.5		1452	9½	9⅜	9½	-¼
11¾	8⅞	ACM Man	1.08	11.8		652	9¼	9	9⅛	-⅛
9¼	8	ACM Managd	0.72	8.7		46	8⅜	8¼	8¼	
15½	8¾	AcmeClv	0.44	4.0	13	214	11¼	10¾	11⅛	
9¼	8½	Acme Elect			5	73	8⅜	8	8⅜	
28¾	23	Acordia	0.60	2.2	13	3	27¼	27¼	27¼	
9⅞	5⅞	Actava	0.36	4.2	2	145	8¾	8⅜	8⅝	-⅛
15⅝	11¼	Acuson			99	254	12¾	12¼	12¾	+½
18⅞	16½	Adams Expr	0.48	2.8	0	206	17⅛	17	17	-⅛
64	46½	Ad Micro	3.00	5.4		274	55¾	55¼	55¾	
31¾	16¾	AdvMic	3.00	11.2	11	7547	26⅞	26⅜	26¾	-⅛
6⅞	5	Advest Grp	0.16	3.1	8	37	5¼	5¼	5¼	
20	15	Advo Inc x	0.10	0.6	113	248	17	16½	17	+⅝
57¾	49⅞	Aegon ADR	2.95	5.4	12	11	54⅝	54⅜	54⅜	-½
65¾	49¾	Aetnal	2.76	5.2	8	2704	54⅞	53⅛	53½	-1⅝
34⅞	25¼	Aflac	0.46	1.3	14	1660	34⅝	34¼	34¼	-⅛
20¾	16⅜	Ahmnsn	0.88	4.6	13	789	19⅜	19	19¼	
4	1⅜	Aileen Inc			7	22	2⅛	2	2	-⅛
[illegible]										

Continued on next page

4 pm close July 12

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
6½	4⅜	SafewayWS6				174	6⅜	6½	6¼	
57⅞	47⅞	StJoePaper	0.20	0	4299	142	56⅞	53⅞	56⅞	+3
30¼	25	StJosL&P	1.80	7.1	12	37	25¼	d25	25¼	
45	37¾	StPaul	1.60	3.7	4	1963	40⅞	40⅛	40½	+⅛
9⅜	6	Salant Crp			7	72	6⅜	6¼	6¼	-⅛
49⅞	34⅞	Sallie Mae	1.40	3.9	7	4787	35¾	d34¾	35¾	+½
13⅞	11⅞	Salomon Br	0.28	2.3		57	12⅜	12¼	12¼	
52¾	43	Salomn	0.64	1.5	5	4903	43¼	d43	43⅛	-⅛
25	17½	SnDgGE	1.52	7.9	10	4316	19¼	18⅞	19⅛	+¼
10	7½	SantaFeERs x	0.16	1.7	9	1640	9⅝	9½	9½	-⅛
15¼	13½	SFeGd				2089	14	13¾	14	+¼
40	31½	SantaFePac	2.80	8.1	16	291	34¾	34½	34⅝	
26¼	18½	SanFeP	0.10	0.5	10	18289	19¼	19	19¼	-⅛
26	19⅜	SaraLee	0.64	3.3	13	10465	19¾	19½	19⅝	-⅛
50⅛	42⅛	Scana Corp	2.82	6.5	11	228	43¼	42⅞	43⅛	-⅛
20½	12½	Scecrp x	1.00	7.9	8	6151	12⅞	12⅝	12⅝	-⅛
40½	31¾	SchererRP			25	1784	32⅞	32⅝	32⅞	+¼
69⅛	54½	SchPl	2.04	3.3	14	3231	63	62½	62⅝	-⅛
62⅞	50¼	SclAmb	1.20	1.9	25	6046	62¼	61¾	62¼	+⅜
33⅞	24⅛	Schwab(C)	0.28	1.2	11	2478	24⅝	d24	24	-⅜
10¾	6⅛	Schwitzer			23	481	8⅜	8	8¼	+⅛
38⅞	24⅞	SciAtl	0.12	0.4	65	945	33⅝	32¾	32¾	-⅞
16⅞	13	Scotmas	0.10	0.7	13	105	14½	14⅛	14⅛	-⅛
53¾	37¼	ScottP	0.80	1.6	13	6330	51⅞	51	51¼	-⅝
28⅝	18⅝	ScudrNwEsF	0.21	0.9		214	22½	21⅞	22⅛	-⅛
[illegible]										

AMEX COMPOSITE PRICES

4 pm close July 12

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close July 12

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

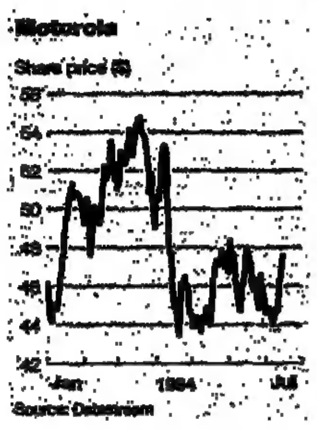
Good inflation data fails to lift US stocks

Wall Street

Good news on inflation failed to lift stock market sentiment yesterday morning as further declines in the dollar left share prices weaker across the board, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 22.98 at 3,680.01. The more broadly-based Standard & Poor's 500 was also lower at the halfway mark, down 1.99 at 446.07, while the American Stock Exchange composite was off 0.57 at 424.20 and the Nasdaq composite down 1.46 at 705.37. Trading volume was 142m shares by 1 pm.

Stock prices inched higher at the opening, encouraged by early gains in bonds which were sparked by reassuring news on inflation. The labor department had reported that the producer prices index had remained flat during June, and that "core" producer prices – the index excluding the volatile food and energy components – had actually fallen by 0.1 per cent.



Source: Datastream

The figures were better than economists had been expecting, and provided an early boost to bond prices. At one stage, the benchmark 30-year bond was up three quarters of a point.

Those early gains, however, were short-lived, as bond market investors turned their attention to the dollar, which continued to weaken.

By mid-morning, the dollar was down at new post-1945 lows against the yen of below Y97, a decline that immediately unsettled bonds. Within an hour, bonds had retraced their early gains, with fixed-income investors fearful that the losses in the dollar might persuade the Federal Reserve to raise interest rates again to support the ailing currency.

The retreat in bonds quickly fed through into the stock market, where prices fell across the board. Blue-chip stocks, however, were especially hard hit, primarily because in the past week blue-chips have outperformed other sectors of the market. Although bonds later rallied after midday, stocks remained depressed, with market particpants still worried about the outlook for interest rates. Trading, however, was relatively light, with some players choosing to stay on the sidelines until today's second half of the June inflation data, the consumer prices report.

Among individual stocks, Motorola bucked the wider trend, rising $2⅞ to $47⅞ as investors responded positively to Monday night's news that the company had earned 63 cents a share, up from a comparable 40 cents a share a year ago, and that semiconductor sales rose 23 per cent in the April-to-June period.

Goodyear fell $2 to $34⅞ in volume of 1.1m shares after the company's chairman, Mr Stanley Gault, said in a television interview that Goodyear's earnings in the second quarter would come in between $158m and $164m. Although that would represent a record quarter for the company, investors were disappointed because industry analysts had been looking for slightly better results.

Philip Morris dropped $1 to $52⅞ in heavy trading after the tobacco and foods group announced second quarter earnings of $1.2bn. Although that was up from $1.05bn a year earlier, the results from the food operations were disappointing and a large part of the growth in sales volume was due to adjustments in inventory levels.

Diagnostek rose $1 to $20¼ after being awarded a contract from the defense department which could generate $100m in annual revenues.

Canada

Toronto stocks continued to rise at midday, encouraged by stability in domestic bond and currency markets, and boosted by market expectations of solid second quarter corporate earnings.

The TSE 300 composite index rose 10.30 to 4,114.20 in 27.3m shares valued at C$349m. Nine of Toronto's 14 sub-indices posted gains, led by transportation, oil and gas, and industrial products.

Weak groups included precious metals, consumer products, and conglomerates. Among stocks in the news, Alcan Aluminium eased C$⅛ to C$33 in spite of reporting its first quarterly profit in ten quarters.

Profits taken in Brazil

Equities in São Paulo were moderately lower in local currency terms in late morning trade as investors took profits. The Bovespa index of the 56 most-active shares was off 282 at 39,827 in turnover of R$92.9m ($101.2m). On Monday the index closed 1 per cent lower, following a gain of nearly 12 per cent last week.

Brokers commented that the publication of a new poll which showed that Mr Fernando Henrique Cardoso was continuing to gain ground in the presidential race over the left wing candidate Mr Inacio Lula da Silva only confirmed what the market had been expecting.

Among the main movers Telebras preferred was off 0.7 per cent at R$41.80 and mining group Vale do Rio Doce preferred was 0.9 per cent lower at R$104.01. Electrobras, the power utility, saw its preferred shares off 0.8 per cent at R$227.

Mexico

Mexico City eased in early trading, the IPC index losing 4.98 at 2,287.02, featureless ahead of the presidential elections and, in the interim, disturbed only by the possibility that US interest rates could rise again and put downward pressure on equities.

EUROPE

Bourses react to weakness in the dollar

Last Friday Mr Sushil Wadhwani, global equity strategist at Goldman Sachs in London, said that, if the dollar were to go into a free fall, global equities should underperform bonds with European equities perhaps the most vulnerable.

The dollar fell again yesterday, *writes Our Markets Staff*, and, in Europe, equities mostly underperformed bonds in a big way. However, said Mr Wadhwani, bond markets were assuming that a strong D-Mark would encourage the Bundesbank to cut key interest rates, and in this they could be disappointed.

FRANKFURT saw the dollar fall to DM1.5308, and the September bund future rise strongly as the DAX index fell 17.61 to 2,048.05 in turnover up from DM4.6bn to DM6.4bn.

"The dollar decline has really started to hurt," said Mr Jens Wiecking at Merck Finck in Düsseldorf. The current rate compared with a range of around DM1.70 to DM1.80 at the beginning of this year, on which German companies priced their contracts.

Accordingly, he said, it was big exporters, or raw material suppliers with their contracts expressed in dollar terms which were most severely hit. The trucks company, MAN, fell DM11.50 to DM408, and Degussa and Metallgesellschaft in raw materials dropped DM15 to DM460, and DM4.40 to DM196.80 respectively.

PARIS reflected the fact that the market would be closed tomorrow and Friday. The CAC-40 index lost 7.67 to 1,942.08 in turnover estimated at just under FFr3bn.

Both Daiwa Europe and James Capel issued overweight recommendations on the French equity market. Daiwa noted that investors had been unsettled by the recent number of alleged corruption scandals, but commented that it did not expect the downside to be as great as had been experienced recently in Italy. Forecasting a sharp increase in corporate earnings this year Daiwa expected a rise in CAC-40 earnings per share of nearly 50 per cent.

James Capel agreed that the corruption scandals could depress the market and noted that the financial sector in particular was vulnerable to a downward revision of earnings. However, it said, France had now underperformed Germany for five consecutive quarters – the longest period since the early 1980s – and most of the risks to market performance had already been discounted.

MILAN was lower in largely technical trade ahead of today's expiry of options and the close of the July trading account on Friday. The Comit index fell 6.25 to 678.10 as investors hoped that today's cabinet meeting might at last bring clues on the government's plans to tackle the budget deficit.

Mr Enrico Ponzone at Kleinwort Benson commented that the sudden deterioration of the budget deficit forecasts had exacerbated an already tense situation. Instead of acting to regain the market's confidence, Mr Silvio Berlusconi, the prime minister, had focused on issues of power rather than substance. "In the face of this failure to deliver we are adopting a more cautious stance but believe that ultimately the government will have little choice but to follow its predecessor's stringent economic policies."

Generali fell L309 to L39,891: one large foreign sell order placed at the start of business helped depress the mood.

Ina lost L25 at L2,375, falling below its L2,400 placing price for the first time since its launch on July 6.

AMSTERDAM followed the dollar lower and the AEX index closed off 1 per cent in low turnover, down 4.03 at 383.21. The big multinationals with dollar exposure bore the burden of the day's activity on the currency exchanges: Royal Dutch slipped Fl 3.70 to Fl 185.30 and Unilever Fl 2.80 to Fl 181.70.

BolsWessanen, off Fl 1.00 at Fl 36.90, announced that it was in co-operation talks with Campari of Italy, while Heineken, helped by the summer weather, went against the trend with a rise of 30 cents to Fl 213.30.

MADRID was minded to follow its bond market but it closed off its best on profit taking after falls on Wall Street and in other European bourses. The general index, however, still ended 2.68 higher at 298.72 in turnover of Pta28.4bn.

WARSAW climbed for the sixth consecutive session as investors became convinced that the bearish trend of the last few months was over. The Wig index rose 646.2, or 6.75 per cent to 10,258.2.

TEL AVIV, too, registered its sixth consecutive gain following last week's 1994 low, the Mishtanim index recovering another 4.14, or 2.45 per cent to 172.82.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jul 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1324.61	1324.47	1322.95	1321.80	1320.78	1321.37	1319.10	1317.85
FT-SE Eurotrack 200	1367.71	1358.19	1356.31	1351.18	1353.53	1354.30	1352.28	1350.44

	Jul 11	Jul 8	Jul 7	Jul 6	Jul 5
FT-SE Eurotrack 100	1325.78	1316.00	1320.32	1312.04	1316.88
FT-SE Eurotrack 200	1365.50	1354.04	1358.40	1348.66	1354.71

Base 1000 (26/10/90) High/day: 100 - [illegible]; 200 - [illegible] Low/day: 100 - [illegible]; 200 - [illegible]

Roche puts pressure on Zurich

By Michael Morgan

Zurich came under renewed pressure as Roche tumbled 5 per cent in reply to lower than expected first half sales growth. The SMI index, marginally ahead early in the day, finished 54.5, or 2.1 per cent lower, at 2,508.0.

Roche certificates fell SFr300 to SFr5,700 after the group said that first half sales increased by 7.2 per cent in local currency terms, but only by 2.4 per cent in Swiss francs,

due to the strength of the currency, particularly against the dollar. The market had expected a 10-12 per cent rise in local currencies, or 5-6 per cent in Swiss francs.

In London, Mr Richard Davidson at Morgan Stanley which cut Switzerland to an underweight position in its model portfolio, commented that earnings growth looks below average.

Mr Davidson said that the franc's sharp rise against the D-mark had made Swiss industry less competitive, and that the situation was unlikely to change this year. "Our analysts", he said, "find few Swiss companies more attractive than their peers in Europe with the exception of BBC and perhaps, Nestlé."

The reduction in Swiss weighting was effected by halving the double weighting of Ciba. Goldman Sachs, however, commented yesterday that Ciba's valuation has sound support: it retained its market outperformer rating for the near term and market performer rating long term.

ASIA PACIFIC

Nikkei's modest decline as yen rise goes on

Tokyo

The yen's renewed rise against the dollar pushed share prices lower, but declines were smaller than most investors expected, *writes Emiko Terazono in Tokyo.*

There were reports that public investment funds were buying equities to trim inflated cash positions as the Nikkei 225 average recovered from a morning low of 20,294.06 to close off 72.61 at 20,400.48, down for the fifth consecutive session but after a peak of 20,419.48 during the last 20 minutes.

In New York, on Monday, the dollar had fallen to the Y96 level. This prompted new worries in Tokyo over the effect on Japan's exporters, and on the economy which has started to show the first signs of recovery; in Tokyo the dollar finally closed Y1.48 lower at Y97.07, in spite of dollar buying intervention by the Bank of Japan.

Market participants were reluctant to select a level to which the yen would rise. "We have a real dollar crisis on our hands and it all depends on how much the Federal Reserve Bank is going to take," said Mr Geoffrey Barker, an economist at Baring Securities.

He added that an easing of the official discount rate by the Bank of Japan to support the dollar would be unlikely until data revealing a worsening of the Japanese economy was released.

Volume rose from 210m to 303m shares. The Topix index of all first section stocks fell 9.01 to 1,647.15 while the Nikkei 300 fell 1.27 to 299.47. Losers outnumbered gainers by 764 to 228 with 174 unchanged and, in London, the ISE/Nikkei 50 index fell 3.64 to 1,331.77.

High-technology exporters were hit by the yen's rise. Hitachi lost Y10 to Y1,020 while Toshiba declined Y12 to Y789. Sony fell Y80 to Y5,920 and TDK plunged Y110 to Y4,530.

Car stocks were also weak, with Nissan Motor down Y15 to Y805 and Honda Motor retreating Y30 to Y1,730. Large capital stocks lost ground, with Kawasaki Steel falling Y5 to Y395.

Mitsubishi Oil, the most active issue of the day, jumped Y50 to Y1,200. The company announced that it had discovered a second oil field off the coast of Vietnam, encouraging buying orders. The stock's trading volume amounted for 13 per cent of the first section's activity.

In Osaka, the OSE average fell 107.50 to 22,911.15 in volume of 21.8m shares. The OSE average declined for the fifth consecutive day on a decline in export oriented stocks.

Roundup

The region saw a mix of performances yesterday.

HONG KONG bounced 2.3 per cent higher in a technical rebound following the recent sell-off. The Hang Seng index finished up 196.51 at 8,591.45 in turnover that improved to a provisional HK$2.47bn from Monday's final HK$1.82bn.

Property issues, worst hit in the recent downturn, were among the day's best performers. Cheung Kong and Sun Hung Kai Properties each rose by HK$1.40, to HK$32.20 and HK$44.50 respectively. Hongkong Land gained 50 cents to HK$18.50.

SYDNEY was lifted during the afternoon session by favourable results from Advance Bank, up 33 cents at A$9.58, which reported a rise in earnings for the year ending May 31 of 81 per cent. The bank also announced that it was raising the dividend to 50 cents from the previous year's 30 cents.

This helped the All Ordinaries index to a gain of 11.7 at 1,972.9, just below an intraday high of 1,973.9. Turnover was $417m.

Among retail stocks the takeover target, Foodland, shed 9 cents to A$4.65 after the Federal Court granted a temporary injunction against Rank Commercial's $501m bid. Coles Myer, which would have acquired Foodland's Australian assets under the bid, closed 3 cents firmer at A$4.23.

SEOUL saw an across-the-board rebound following Monday's falls stemming from the death of the North Korean president, Kim Il-sung. The composite stock index added 11.75 to 960.59. Real estate and property issues spearheaded the rises. Pangrim Spinning went limit up, adding Won2,000 to Won88,600.

SINGAPORE was firmer, led by bargain hunting in selected shipyard and property stocks while speculators bought shares and warrants of Yeo Hiap Seng on expectations of a takeover by Ng Teng Fong, the property tycoon.

The Straits Times Industrial index rose 8.10 to 2,159.35 as YHS shares rose 20 cents to S$3.74.

KUALA LUMPUR was mixed as volume shrank to 66m shares, one of its lowest levels this year, as investors shied away from a market lacking direction and foreign interest.

The composite index gave up 3.26 to 985.62, dragged down by a 50 cent drop in Telecom Malaysia to M$18.80.

Tenaga Nasional fell 10 cents to M$13.20, remaining under pressure from foreign funds switching out of the stock.

MANILA was dragged down by a fall in the heavily-weighted stock, PLDT, which lost more than 2 per cent to a year's low of 1,425 pesos.

The composite index shed 10.43 to 2,533.32.

Turnover rose to 745.02m pesos from 670.9m.

BOMBAY rose on selective buying of the country's biggest mutual fund, the the Unit Trust of India. The BSE 30-share index ended up 54.62 or 1.3 per cent at 4,134.79.

BANGKOK moved in a tight range with the SET index improving just 1.69 to 1,280.06 as turnover moderated to Bt4.5bn. Brokers commented that many investors remained absent from the market.

WELLINGTON reversed a nine-day losing streak, with the NZSE-40 capital index closing up 9.28 at 1,954.79 in low turnover of NZ$22.7m.

S Africa golds ahead

Firmer gold shares came back from their highs on disappointment that the bullion price had failed to make further headway, while industrials lost a little ground.

The overall index picked up 35 to 5,454, industrials eased 5 to 6,254 and golds were 35 ahead at 2,111.

Gencor rose 50 cents or 4.4 per cent to R11.85 ahead of an expected announcement this week on the outcome of negotiations on its planned acquisition of the metal mining business of Royal Dutch/Shell's Billiton.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 11 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 8 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	162.97	-0.2	154.51	100.30	130.48	148.40	-0.1	3.71	163.29	157.22	101.75	133.63	148.60	189.15	138.28	138.60
Austria (17)	189.58	2.1	179.75	116.68	151.79	151.58	-0.2	1.05	185.66	178.75	115.66	151.93	151.86	195.41	147.91	147.91
Belgium (37)	171.06	2.5	162.19	105.28	136.96	134.07	0.1	4.12	166.86	160.65	103.97	136.55	133.90	176.67	143.62	146.96
Canada (106)	124.41	0.2	117.96	76.57	99.61	125.24	0.2	2.71	124.18	119.56	77.38	101.63	125.02	145.31	120.54	127.04
Denmark (33)	265.94	2.5	252.14	163.67	212.92	219.19	0.3	1.35	259.52	249.86	161.71	212.38	218.51	275.79	207.58	211.58
Finland (24)	153.53	1.5	145.57	94.49	122.92	164.38	-0.6	0.87	151.32	145.69	94.29	123.84	165.34	158.72	95.42	96.69
France (97)	170.63	3.5	161.77	105.01	136.61	141.66	1.3	3.16	164.92	158.78	102.76	134.96	139.86	185.37	140.60	151.71
Germany (58)	142.90	2.8	135.49	87.95	114.41	114.41	0.6	1.81	139.03	133.86	86.63	113.77	113.77	147.07	112.69	113.81
Hong Kong (55)	341.84	-0.5	324.11	210.39	273.69	339.16	-0.5	3.50	343.46	330.69	214.02	281.08	340.78	506.68	271.42	284.60
Ireland (14)	193.29	2.9	183.27	118.97	154.76	176.97	1.2	3.47	187.82	180.83	117.03	153.70	173.87	209.33	155.95	156.79
Italy (80)	85.07	1.7	80.66	52.36	68.11	97.30	-0.4	1.63	83.66	80.55	52.13	68.47	97.66	97.78	57.88	67.91
Japan (469)	169.65	1.0	160.85	104.41	135.83	104.41	-0.3	0.73	168.01	161.76	104.69	137.50	104.69	170.10	124.54	145.72
Malaysia (98)	460.44	-0.1	436.55	283.38	368.65	469.34	-0.4	1.78	460.96	443.81	287.23	377.23	480.99	621.68	322.80	331.62
Mexico (18)	1953.21	-0.6	1851.86	1202.11	1563.79	7258.38	-0.8	1.64	1963.76	1895.51	1226.75	1611.15	7314.81	2847.08	1516.57	1521.04
Netherland (27)	205.24	2.2	194.59	126.32	164.32	161.77	0.0	3.51	200.76	193.29	125.09	164.30	161.78	207.49	164.69	166.71
New Zealand (14)	65.55	-0.4	62.15	40.34	52.48	67.73	-0.6	4.14	65.82	63.37	41.01	53.86	58.08	77.58	51.82	52.76
Norway (23)	194.14	2.2	184.07	119.48	155.43	178.10	-0.1	1.86	189.96	182.92	118.38	155.48	178.18	208.42	156.74	157.03
Singapore (44)	325.66	0.0	308.76	200.43	260.74	227.06	-0.5	1.86	325.60	313.46	202.88	266.46	228.14	378.92	244.27	246.80
South Africa (59)	271.85	1.6	257.74	167.31	217.65	277.48	0.1	2.28	267.59	257.63	166.74	218.98	277.23	284.89	175.93	205.66
Spain (42)	139.64	3.5	132.40	85.95	111.80	134.41	0.9	4.30	134.87	129.86	84.10	110.45	133.17	155.79	116.33	122.07
Sweden (36)	208.44	3.9	197.63	128.29	166.89	235.57	1.8	1.70	200.70	193.23	125.06	164.25	231.47	231.36	168.68	168.68
Switzerland (47)	161.73	2.2	153.34	99.54	129.48	130.15	0.1	1.87	158.17	152.29	98.58	129.44	130.08	176.56	124.46	127.05
United Kingdom (206)	190.34	2.3	180.47	117.15	152.40	180.47	0.7	4.16	186.11	179.18	115.97	152.31	179.18	214.86	170.32	171.46
USA (519)	182.76	-0.3	173.27	112.48	146.32	182.76	-0.3	2.93	183.32	176.50	114.23	150.02	183.32	198.04	178.95	183.46
EUROPE (720)	168.07	2.6	159.35	103.44	134.56	148.98	0.6	3.13	163.88	157.78	102.11	134.11	148.07	178.58	142.48	142.89
Nordic (116)	207.07	3.0	196.32	127.44	165.78	199.36	0.9	1.49	201.00	193.52	125.24	164.49	197.52	220.60	160.28	160.28
Pacific Basin (780)	175.10	0.8	166.01	107.77	140.19	113.10	-0.3	1.05	173.70	167.24	108.23	142.15	113.42	175.87	134.79	149.61
Euro-Pacific (1470)	172.01	1.5	163.09	105.87	137.72	127.88	0.1	1.90	169.44	163.14	105.58	138.66	127.59	172.01	143.93	146.74
North America (625)	179.14	-0.3	169.84	110.25	143.42	178.81	-0.3	2.82	179.65	172.97	111.94	147.02	179.32	192.73	176.67	179.96
Europe Ex. UK (515)	152.17	2.7	144.28	93.66	121.83	128.67	0.5	2.62	148.19	142.62	92.30	121.22	129.20	157.47	124.77	124.85
Pacific Ex. Japan (281)	232.67	-0.3	220.60	143.20	186.29	208.77	-0.4	3.06	233.29	224.61	145.36	190.92	209.52	298.21	184.03	186.06
World Ex. US (1653)	172.65	1.5	163.69	106.26	138.23	130.90	0.1	1.93	170.16	163.83	106.03	139.25	130.80	172.65	145.56	147.55
World Ex. UK (1967)	173.49	0.7	164.49	106.78	138.90	143.72	-0.1	2.08	172.28	165.87	107.35	140.99	143.92	175.58	155.96	157.32
World Ex. So. Af. (2113)	174.41	0.8	165.36	107.34	139.64	148.13	-0.1	2.27	172.96	166.52	107.77	141.54	146.22	178.59	159.39	168.36
World Ex. Japan (1703)	180.29	0.8	170.93	110.96	144.34	171.30	0.0	2.99	178.89	172.22	111.46	146.39	171.24	185.20	166.51	167.28
The World Index (2172)	175.00	0.8	165.91	107.70	140.11	147.11	-0.1	2.27	173.62	167.07	108.12	142.00	147.20	178.97	158.59	168.59

Latest prices were unavailable for this edition.